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As confidentially submitted to the Securities and Exchange Commission on December 19, 2014

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

DAVIDsTEA INC.

(Exact name of registrant as specified in its charter)

Canada (State or other jurisdiction of incorporation or organization)	5499 (Primary Standard Industrial Classification Code Number)	98-1048842 (I.R.S. Employer Identification Number)
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5430 Ferrier
Mount-Royal, Québec, Canada, H4P 1M2
Telephone: (888) 873-0006
(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

Sylvain Toutant
President and Chief Executive Officer
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Approximate date of commencement of proposed sale to public:
As soon as practicable after this Registration Statement is declared effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ o

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price(1)(2)	Amount of registration fee
Common Shares, no par value	US\$	US\$

- (1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) of the Securities Act of 1933, as amended.
- (2) Includes shares that may be sold upon exercise of the underwriters' option to purchase additional shares. See "Underwriting."

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. Neither we nor the selling shareholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion
Preliminary Prospectus dated December 19, 2014

PROSPECTUS

Shares



DAVIDsTEA INC.

Common Shares

This is the initial public offering of our common shares. We are offering _____ common shares, no par value per share, and the selling shareholders named in this prospectus, including _____, certain of our principal shareholders, are offering, in the aggregate _____ common shares. We will not receive any proceeds from the common shares sold by the selling shareholders. We currently expect the initial public offering price to be between US\$ _____ and US\$ _____ per common share.

Prior to this offering there has been no public market for our common shares. We intend to apply for listing of our common shares on _____ under the symbol "_____"

We are eligible to be treated as an "emerging growth company" as defined in Section 2(a) of the Securities Act of 1933 and, as a result, are subject to reduced public company reporting requirements. See "Prospectus Summary — Implications of Being an Emerging Growth Company and a Foreign Private Issuer."

Investing in our common shares involves risk. See "Risk Factors" beginning on page 13.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	US\$ _____	US\$ _____
Underwriting discounts and commissions(1)	US\$ _____	US\$ _____
Proceeds to us before expenses	US\$ _____	US\$ _____
Proceeds before expenses to the selling shareholders	US\$ _____	US\$ _____

(1) See "Underwriting" for a detailed description of compensation payable to the underwriters.

To the extent that the underwriters sell more than _____ common shares, the underwriters have the option to purchase up to an aggregate of _____ additional common shares from the selling shareholders at the initial public offering price less the underwriting discounts and commissions for 30 days after the date of this prospectus.

The underwriters expect to deliver the common shares against payment in New York, New York on or about _____, 2015.

Goldman, Sachs & Co.

J.P. Morgan

BofA Merrill Lynch

BMO Capital Markets

William Blair

Prospectus dated _____, 2015

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We are responsible for the information contained in this prospectus and in any free writing prospectus we prepare or authorize. We have not, and the underwriters have not, authorized anyone to provide you with different information, and we and the underwriters take no responsibility for any other information others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than its date.

In this prospectus, unless otherwise specified, all monetary amounts are in Canadian dollars, all references to "\$," "C\$," "CDN\$," "Canadian dollars" and "dollars" mean Canadian dollars and all references to "U.S. dollars," "US\$" and "USD" mean U.S. dollars.

Industry and Market Data

Although we are responsible for all disclosure contained in this prospectus, in some cases we have relied on certain market and industry data obtained from third-party sources that we believe to be reliable. Market estimates are calculated by using independent industry publications and third-party forecasts in conjunction with our assumptions about our markets. While we are not aware of any misstatements regarding any market, industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under the headings "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" in this prospectus.

Trademarks and Service Marks

We own or have rights to trademarks and service marks for use in connection with the operation of our business, including, but not limited to, DAVIDsTEA®. All other trademarks or service marks appearing in this prospectus that are not identified as marks owned by us are the property of their respective owners.

Solely for convenience, the trademarks, service marks and trade names referred to in this prospectus are listed without the ®, (TM) and (sm) symbols, but we will assert, to the fullest extent under applicable law, our applicable rights in these trademarks, service marks and trade names.

PROSPECTUS SUMMARY

This summary highlights information contained in other parts of this prospectus. Because it is only a summary, it does not contain all of the information that you should consider before investing in our common shares and it is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this prospectus. You should read the entire prospectus carefully, especially "Risk Factors" and our financial statements and the related notes included elsewhere in this prospectus, before deciding to buy our common shares. Unless the context requires otherwise, references in this prospectus to the "Company," "DAVIDsTEA," "we," "us" and "our" refer to DAVIDsTEA Inc. and its consolidated subsidiaries. Unless otherwise noted, this prospectus assumes the exchange of all of our Class AA Common Shares into common shares and the conversion of all of our Junior Preferred Shares, Series A Preferred Shares, Series A-1 Preferred Shares and Series A-2 Preferred Shares into common shares. In this prospectus, unless otherwise specified, all monetary amounts are in Canadian dollars, all references to "\$," "C\$," "CDN\$," "Canadian dollars" and "dollars" mean Canadian dollars and all references to "U.S. dollars," "US\$" and "USD" mean U.S. dollars.

Our Company

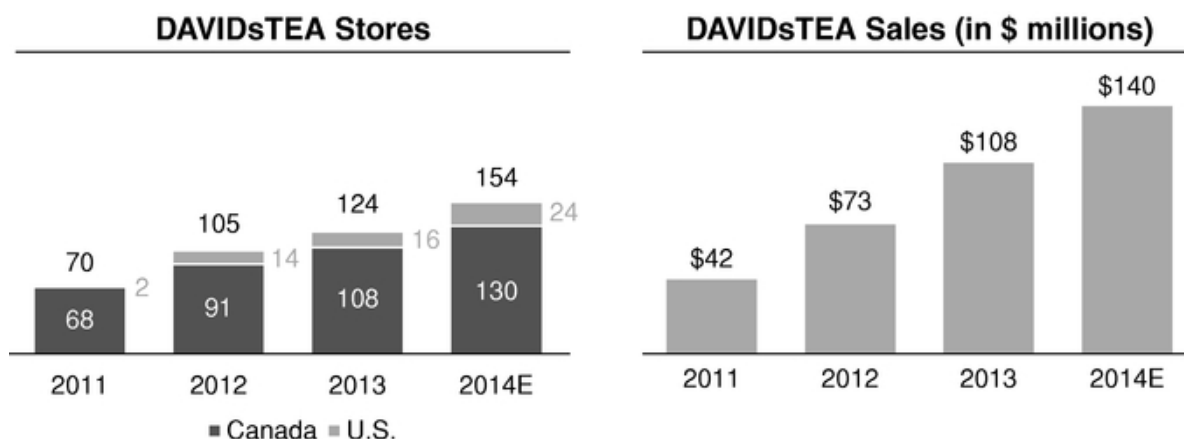
DAVIDsTEA is one of the fastest growing branded beverage companies in North America, offering a differentiated selection of proprietary loose-leaf teas and tea-related gifts and accessories through over 150 DAVIDsTEA stores and our website, davidstea.com. We are building a brand that seeks to expand the definition of tea with innovative products that consumers can explore in an open and inviting retail environment. The passion for and knowledge of tea permeates our culture and is rooted in an excitement to explore the taste, health and lifestyle elements of tea. We design our stores with a modern and simple aesthetic that, coupled with our teal-colored logo, create an inviting atmosphere and stand in stark contrast to common perceptions of tea as a more traditional product. We strive to make tea a multi-sensory experience by facilitating interaction with our products through education and sampling so that our customers appreciate the compelling attributes of loose-leaf teas as well as the ease of preparation. Our in-store "Tea Guides" help novice and experienced tea drinkers alike select from the approximately 150 varieties of premium loose-leaf teas and tea blends featured on our "Tea Wall," which is the focal point of our stores. We replicate our store experience online by engaging users with rich content that allows them to easily explore their options amongst our many tea and tea-related offerings.

We sell our products exclusively through our retail and online channels, giving us control of the presentation of our brand as well as greater interaction with the customer, which increases our pace of innovation. We have a dedicated and highly experienced product development team that is constantly creating new tea blends using high-quality ingredients from around the world. By continually offering new products and refining our blending techniques to enhance existing teas, we believe we bring new customers into the category and drive the frequency of visits to our stores and website among existing customers. We bring newness and capitalize on our product development capabilities with approximately 30 new blends each year that we rotate into our offering on a continuous basis. We also focus on product innovation in our accessories, providing our customers with fun, inventive and more convenient ways to enjoy tea. We believe that our product development platform and level of innovation have helped us earn a strong and loyal customer following that is passionate about DAVIDsTEA.

We were founded in Montréal, Canada by Herschel and David Segal in 2008. They sought to build a brand and company to respond to consumers' increasing focus on health and wellness by leveraging tea's potential health benefits and providing high-quality products. Since opening our first retail store and launching our website (www.davidstea.com) in late 2008, we have poured our love for tea into an active online community with over 3.5 million unique visitors to our website in

2014 and over 150 DAVIDsTEA locations across Canada and the United States. To date, we have been successful in a variety of markets, including in Montréal, Toronto, Vancouver, Boston and Chicago. The strong performance of our stores across geographies demonstrates the appeal of our brand and underscores our growth opportunity. We believe that there is significant growth opportunity in North America. Consistent with our stores, davidstea.com features our innovative products while offering expertise, community and numerous tools to aid the discovery and exploration of tea. Our e-commerce sales increased to 7.6% of sales for the thirty-nine weeks ended October 25, 2014 from 2.7% of sales in fiscal 2010, and we expect it to continue to grow as consumers discover our brand and as we improve our website. During fiscal 2013, approximately 65% of our revenue was driven by the sale of loose-leaf tea and tea-related gifts that consumers enjoy at home, on-the-go or at work, with the balance driven by tea accessories (25%) and food and beverages prepared in our stores (10%).

We believe our business model is based on innovation, quality and the customer experience. These attributes have positioned us to deliver strong financial results, as evidenced by the following:



- The growth of our store base from 70 stores in fiscal 2011 to 124 stores in fiscal 2013, representing a 33% compound annual growth rate. At October 25, 2014, we had a total of 143 stores or approximately 19% more than the same period in fiscal 2013.
- Twenty-one consecutive quarters of positive comparable store sales growth through the third quarter of fiscal 2014. On an annual basis since fiscal 2011, we have reported double-digit comparable store sales growth ranging from 33.6% in fiscal 2011 to 17.9% in fiscal 2013.
- An increase in sales from \$41.9 million in fiscal 2011 to \$108.2 million in fiscal 2013, representing a 60% compound annual growth rate. For the thirty-nine weeks ended October 25, 2014, we reported sales of \$80.1 million or approximately 30% higher than the same period in fiscal 2013.
- Growth of our Adjusted EBITDA from \$4.3 million in fiscal 2011 to \$13.6 million in fiscal 2013, representing a 78% compound annual growth rate. For the thirty-nine weeks ended October 25, 2014, we reported Adjusted EBITDA of \$4.8 million or approximately 222% higher than the same period in fiscal 2013. Our net income was \$0.9 million, \$(4.4 million) and \$(0.4 million) in fiscal 2011, 2012 and 2013.

Our Market Opportunity

We participate in the large and growing global tea market, which had approximately \$40 billion of retail sales in 2013. We believe that the large size and outsized growth of the tea category

combined with relatively low tea consumption and sales in North America make our market opportunity highly attractive, especially as consumer awareness of tea in Canada and the United States increases.

Our Competitive Strengths

We believe that the following strengths differentiate us from our competitors and are important to our success:

Modern Brand Reinventing the Tea Experience. Our mission is to make tea fun and accessible. We believe that our brand, passion for tea and breadth of offering, as underscored by the approximately 150 varieties of premium loose-leaf teas and tea blends in our stores, cause customers to see tea as fresh and stylish. The DAVIDsTEA retail experience is led by our Tea Guides, who share our knowledge of tea with our customers through sampling, education and by showing customers that tea is easy to prepare, comes in a variety of great flavors and is suitable for multiple occasions. To reinforce this sense of accessibility, we create fun names for our teas that are designed to highlight the smell, taste profile and other attributes of the product. We believe our differentiated approach will continue to lead existing customers to engage with our brand and will attract new customers to both our brand and the category.

Focus on Innovation and Design. We focus on constant innovation to improve the taste and presentation of our existing tea blends while creating new offerings that delight our customers. Our product development and sourcing teams work closely together and find inspiration from our suppliers as well as from direct feedback from our customers and Tea Guides, all the while following key consumer trends. Our team has launched over 400 different teas since DAVIDsTEA was founded. We seek to develop creative accessories that are unique and make steeping tea easy at home or on-the-go. We also develop gifts that incorporate our love of tea such as tea-scented candles, tea sachets and tea gift boxes. We believe that our focus on innovation and design keeps existing customers engaged while also attracting new customers to our brand.

Distinct Retail Concept Reinforces Brand and Customer Loyalty. The clean, modern aesthetic of our retail concept communicates the newness and innovation behind our brand. A key element of the DAVIDsTEA in-store experience is our "Tea Wall," a focal point of the store, which displays approximately 150 varieties of premium loose-leaf teas and tea blends. Our Tea Guides help facilitate a highly interactive and immersive customer experience. It is this personable customer interaction combined with the high-quality teas that has allowed us to develop strong customer loyalties. We have very broad customer appeal that spans novice and experienced tea consumers. To capitalize on this growth following, we introduced our "Frequent Steeper" customer loyalty program in April 2014. This loyalty program has rapidly expanded to over a million members currently. Since July 1, 2014, approximately 80% of our sales have come from Frequent Steepers. We believe that our retail concept and our retail experience led by our Tea Guides both reinforce our brand and drive our customer loyalty.

Broad Demographic Appeal Supports Sustainable Long-Term Growth. We believe that our fresh approach to tea gives us broad appeal, while benefitting from several consumer trends. We believe that consumers are increasingly looking for products that are both great tasting and healthy. Tea naturally contains no sodium, fat, carbonation or sugar and is virtually calorie-free. We also offer one of the largest certified organic collections of tea among branded tea retailers in North America. We believe that consumers are also looking to find beverages that provide functional benefits and can be customized and enjoyed on a variety of occasions. Lastly, we believe that as consumers become more educated about tea, they will seek out

venues like DAVIDsTEA that provide a large selection of high-quality products. We believe that our tea's broad, multi-generational appeal coupled with several important consumer trends, most notably health and wellness, will help support our long-term growth.

Effective Grassroots Marketing Strategy Drives Customer Trial and Engagement. DAVIDsTEA uses a field-based marketing approach in addition to social media to build brand awareness and drive customers to our stores. One aspect of this effort is our events sponsorship group, which we believe is a differentiated capability and allows us to create excitement for our brand by engaging directly in the communities around our stores and drive store visits by offering product samplings and beverage coupons. In the last 12 months, we engaged with over 350,000 people through more than 1,500 events. We also have a strong social media platform that is distinguished from peers by our high level of customer engagement. We believe that our ability to build brand awareness is largely driven by our grassroots marketing strategy and our strong social media platform.

Versatile Store Model with Compelling Store Economics. Our stores have been successful in a variety of geographic regions, population densities and real estate venues. The success of our stores with consumers is underscored, in part, by our comparable store sales growth, which has been positive for the past 21 consecutive quarters. We have proven our concept across Canada, where we believe there remains significant growth opportunity. Our average unit is approximately 850 square feet, although our store format allows us to be flexible so that we can get the most desirable location. Our units in Canada averaged four-wall EBITDA margins in excess of 30% in fiscal 2013. Our new stores in Canada have historically averaged a cash-on-cash payback period of approximately two years. We opened our first store in the United States in 2011 and we believe the early results recorded over the last two years demonstrate the potential of our brand and retail concept. Based on our experience in the U.S. market, we target a cash-on-cash payback in the United States of three years, rather than two for Canadian stores, as we expect stores in this market to mature more slowly due to lower brand awareness and lower tea consumption among consumers in the United States as compared to Canada. We believe the strong results we continue to experience in North America underscore our growth opportunity.

Passionate Customer-Focused Culture supported by Experienced Management Team. Our core values and distinctive corporate culture allow us to attract passionate and friendly employees who share a vision of making tea fun and accessible. Our President and Chief Executive Officer, Sylvain Toutant, joined us in May 2014. He most recently served as president of Keurig Canada, and was previously Chief Operating Officer at VanHoutte. Our co-founder, Chief Brand and Innovation Officer, David Segal, leads our brand team and plays a central role in maintaining and developing our corporate culture. Our Chief Financial Officer, Luis Borgen, joined us in 2012, having previously served as the CFO of DaVita HealthCare Partners, a public company in the healthcare space. Prior to DaVita Healthcare Partners, Mr. Borgen spent more than 12 years at Staples. Our management team's experience is balanced between entrepreneurial growth and large scale operations. The management team supports a culture that is rooted in our love and excitement for tea. As a result, we believe our culture directly translates into how we interact with our customers and the knowledge and passion our team members display.

Our Growth Strategies

Key elements of our growth strategy are to:

Increase Brand Awareness. We will continue to increase consumer awareness and excitement for the DAVIDsTEA brand and drive customer loyalty through our field-based

marketing efforts, social media presence, continued store expansion and growing e-commerce sales. Our field-based marketing programs are designed to develop and foster a personal connection with the community and position DAVIDsTEA as a high-quality, community-conscious brand that simplifies tea preparation in a way that encourages consumption for both tea enthusiasts and novices. We will also continue to leverage our growing social media presence to increase our online sales and drive additional store visits within existing and new markets. We see a significant opportunity to increase our brand visibility in the U.S. market, which will be a key area of focus in our marketing strategy going forward.

Grow Our Store Base. We believe there is a highly attractive, long-term growth opportunity for our store base in North America. Our internal research suggests a significant store potential in North America. As shown in the table below, our store base has grown considerably in the past few years.

Fiscal Year	Total Number of Stores		Total
	Canada	United States	
2011	68	2	70
2012	91	14	105
2013	108	16	124
2014E	130	24	154

In fiscal 2015, we expect to open approximately 25-30 stores in Canada and 10-15 stores in the United States. Over the longer term, we believe that we have the ability to open approximately 30-40 stores annually, with the proportion of stores opened in the United States per year trending toward 50%.

Drive Comparable Store Sales. We expect to drive positive comparable store sales growth by increasing the size and frequency of purchases by our existing customers, as well as by attracting new customers. We intend to execute this strategy through both our retail stores and e-commerce site, through:

- *Enhancing our current product assortment.* We believe that our attractive and continuously evolving assortment of tea, tea-related accessories and other tea-related merchandise, including popular limited-time and seasonal offerings, drives consumers to our stores and website and creates a sense of excitement in attaining our latest products.
- *Introducing new product categories and broadening existing categories to provide additional reasons to shop at DAVIDsTEA.* We continue to look for adjacent categories in which we can infuse our tea flavors, such as tea-scented candles and tea-infused chocolates.
- *Offering a website that blends product expertise, community and numerous tools to aid in the discovery and exploration of tea.* Our e-commerce sales increased from 2.7% of sales in fiscal 2010 to 7.6% of sales for the thirty-nine weeks ended October 25, 2014, and we are targeting greater than 15% of sales over the long term as we educate consumers about our products and improve our website. This channel is particularly attractive to us as the average check size for our e-commerce basket is approximately four times that of our in-store basket.
- *Capitalizing on our strong customer loyalty and growing customer base.* We believe there is an opportunity to enhance our recently introduced Frequent Steeper loyalty program

to provide customers with more targeted messages. We are making significant investments to drive our loyalty program.

Expand Adjusted EBITDA Margin. We have increased our Adjusted EBITDA margin from 10.2% in fiscal 2011 to 12.5% in fiscal 2013. As we continue to grow and benefit from the leveraging of our cost structure, we believe further opportunities to increase our margins will exist. We intend to capitalize on opportunities across our supply chain as we grow our business and achieve further economies of scale. We have invested significantly in our business ahead of our growth, and we are targeting an Adjusted EBITDA margin in the high teens over the long term.

Summary Risk Factors

An investment in our common shares involves a high degree of risk. Any of the factors set forth under "Risk Factors" may limit our ability to successfully execute our business strategy. You should carefully consider all of the information set forth in this prospectus and, in particular, should evaluate the specific factors set forth under "Risk Factors" in deciding whether to invest in our common shares. Among these important risks are the following:

- Our ability to successfully implement our growth strategy;
- Our ability to grow our brand recognition in the United States;
- Changes in consumer preferences and economic conditions affecting disposable income;
- The impact from real or perceived quality or safety issues with our teas, tea accessories and other tea-related merchandise;
- Our ability to obtain quality products from third-party manufacturers and suppliers on a timely basis or in sufficient quantities;
- Significant competition within our industry; and
- The impact of weather conditions, natural disasters and manmade disasters on the supply and price of tea.

Implications of Being an Emerging Growth Company and a Foreign Private Issuer

As a company with less than US\$1.0 billion in revenue during our most recently completed fiscal year as of the initial filing date of the registration statement of which this prospectus forms a part, we qualify as an "emerging growth company" as defined in Section 2(a) of the Securities Act of 1933, as amended, which we refer to as the Securities Act, as modified by the Jumpstart our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies that are not emerging growth companies. These provisions include exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting.

We may take advantage of these exemptions for up to five years or such time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have US\$1.0 billion or more in annual revenues as of the end of our fiscal year, more than US\$700.0 million in market value of our stock held by non-affiliates as of the end of our second fiscal quarter, or we issue more than US\$1.0 billion of non-convertible debt securities over a three-year period. We may choose to take advantage of some but not all of these reduced disclosure obligations. If we do, the information that we provide shareholders may be different than you might get from other public companies in which you hold stock.

The JOBS Act permits an emerging growth company such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We prepare our financial statements in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standard Board, which make no distinction between public and private companies for purposes of compliance with new or revised accounting standards. As a result, the requirements for our compliance as a private company and as a public company are the same.

Upon consummation of this offering, we will report under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as a non-U.S. company with foreign private issuer status. Even after we no longer qualify as an emerging growth company, as long as we qualify as a foreign private issuer under the Exchange Act we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time;
- the rules under the Exchange Act requiring the filing with the Securities and Exchange Commission of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events; and
- Regulation Fair Disclosure, or Regulation FD, which regulates selective disclosures of material information by issuers.

Corporate Information

DAVIDsTEA Inc. was incorporated under the *Canada Business Corporations Act*, or the CBCA, on April 29, 2008 and our principal executive offices are located at 5430 Ferrier, Mount-Royal, Québec, Canada, H4P 1M2. Our office in the United States is located at 383 Elliot Street, Newton Upper Falls, Massachusetts 02464. Our telephone number at our principal executive offices is (888) 873-0006. Our website address is www.davidstea.com. Our website and the information contained on our website do not constitute a part of this prospectus.

The Offering

Common
shares
offered by us shares.

Common
shares
offered by
the selling
shareholders shares.

Common
shares to be
outstanding
immediately
after
completion
of this
offering shares.

Option to
purchase
additional
shares The selling shareholders have granted the underwriters an option for a period of 30 days after the date of this prospectus to purchase up to an additional shares.

Use of
proceeds We estimate that the net proceeds to us from this offering will be approximately US\$ million, at an assumed initial public offering price of US\$ per share, the midpoint of the price range set forth on the cover of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds of this offering to repay indebtedness and for working capital and general corporate purposes. See "Use of Proceeds."

We will not receive any of the proceeds from the sale of common shares by the selling shareholders.

Dividend policy We do not expect to pay any dividends on our common shares in the foreseeable future.

Risk factors You should read the "Risk Factors" section of this prospectus for a discussion of factors to consider carefully before deciding to invest in our common shares.

Proposed
symbol " "

The number of common shares to be outstanding after this offering is based on common shares outstanding as of and excludes the following:

- common shares issuable upon exercise of options outstanding under our equity incentive plan as of at a weighted average exercise price of \$ per share; and
- common shares reserved for future issuance under our equity incentive plan as of .

Unless otherwise indicated, this prospectus reflects and assumes the following:

- the adoption of our amended and restated articles of incorporation and our amended and restated bylaws, each to be effective upon the closing of this offering;
- the automatic exchange of all of our Class AA Common Shares, no par value, into common shares upon the closing of this offering;

<ul style="list-style-type: none">the automatic conversion of all of our Junior Preferred Shares, no par value, into offering;	common shares upon the closing of this
<ul style="list-style-type: none">the automatic conversion of all of our Series A Preferred Shares, no par value, into offering;	common shares upon the closing of this
<ul style="list-style-type: none">the automatic conversion of all of our Series A-1 Preferred Shares, no par value, into offering; and	common shares upon the closing of this
<ul style="list-style-type: none">the automatic conversion of all of our Series A-2 Preferred Shares, no par value, into offering.	common shares upon the closing of this

Summary Consolidated Financial and Other Data

The following summary consolidated financial data has been derived from the statements of operations and comprehensive income data for the years ended January 25, 2014 and January 26, 2013 and the balance sheet data as of January 25, 2014 and January 26, 2013 from our audited consolidated financial statements appearing elsewhere in this prospectus. The summary statements of operations and comprehensive income data for the thirty-nine weeks ended October 25, 2014 and October 26, 2013 and the balance sheet data as of October 25, 2014 are derived from our unaudited consolidated financial statements appearing elsewhere in this prospectus. Our historical results for any prior period are not necessarily indicative of results to be expected in any future period, and our results for any interim period are not necessarily indicative of the results to be expected for the full fiscal year ending January 31, 2015.

The unaudited consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements and, in the opinion of management, include all adjustments that management considers necessary for the fair presentation of the information for the unaudited periods. The following information should be read in conjunction with "Risk Factors," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus. Our financial statements have been prepared in accordance with the International

Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB.

	For the thirty-nine weeks ended		For the year ended	
	October 25, 2014	October 26, 2013	January 25, 2014	January 26, 2013
(in thousands, except share information and store data)	(unaudited)	(unaudited)		
Consolidated statement of loss data:				
Sales	\$ 80,115	\$ 61,514	\$ 108,169	\$ 73,058
Cost of sales	37,335	28,816	48,403	32,177
Gross profit	42,780	32,698	59,766	40,881
Selling, general and administration expenses	44,289	34,708	52,369	37,338
Results from operating activities	(1,509)	(2,010)	7,397	3,543
Finance costs	1,738	1,331	1,967	1,829
Finance income	(114)	(26)	(45)	—
Accretion of preferred shares	754	384	514	416
(Gain)/Loss from embedded derivative on Series A and A-1 preferred shares	(1,640)	3,511	2,302	3,960
IPO related costs	35	—	—	—
Settlement cost related to former option holder	520	—	—	—
Income/(loss) before income taxes	(2,802)	(7,210)	2,659	(2,662)
Provision for income tax	727	732	3,067	1,692
Net loss	\$ (3,529)	\$ (7,942)	\$ (408)	\$ (4,354)
Weighted average number of shares outstanding	7,474,996	7,541,341	7,541,341	7,617,784
Net income (loss) per share:				
Basic and fully diluted	(0.47)	(1.05)	(0.05)	(0.57)
Consolidated balance sheet data (at period end):				
Cash and cash equivalents	\$ 2,001		\$ 15,350	\$ 7,644
Total assets	63,775		61,946	49,854
Long-term debt, including current portion	11,648		14,059	10,920
Loan from the controlling shareholder	3,993		8,690	8,690
Preferred shares—Series A and A-1	26,434		18,449	17,009
Financial derivative liability embedded in preferred shares—Series A and A-1	8,446		8,268	5,966
Total liabilities	69,757		65,497	53,686
Shareholders' equity (deficit)	(5,982)		(3,551)	(3,832)
Other financial and operations data (unaudited):				
Adjusted EBITDA(1)	\$ 4,832	\$ 1,499	\$ 13,562	\$ 6,960
Number of stores at end of period	143	120	124	105
Comparable sales growth for period(2)	13.3%	18.4%	17.9%	26.7%

- (1) Adjusted EBITDA is not a presentation made in accordance with IFRS, and the use of the term Adjusted EBITDA may differ from similar measures reported by other companies. We believe that Adjusted EBITDA provides investors with useful information with respect to our historical operations.

We present Adjusted EBITDA as a supplemental performance measure because we believe it facilitates a comparative assessment of our operating performance relative to our performance based on our results under IFRS, while isolating the effect of some items that vary from period-to-period. Specifically, Adjusted EBITDA allows for an assessment of our operating performance and our ability to service or incur indebtedness without the effect of non-cash charges, such as depreciation, amortization, impairment costs and non-recurring expenses relating to our initial public offering. This measure also functions as a benchmark to evaluate our operating performance.

Adjusted EBITDA is not a measurement of our financial performance under IFRS and should not be considered in isolation or as an alternative to net income, net cash provided by operating, investing or financing activities or any other financial statement data presented as indicators of financial performance or liquidity, each as presented in accordance with IFRS. We understand that although Adjusted EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, it has limitations as an analytical tool,

and you should not consider in isolation, or as a substitute for analysis of our results as reported under IFRS. Some of these limitations are:

- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the cash requirements necessary to service interest or principal payments on our debt; and
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements.

Because of these limitations, Adjusted EBITDA should not be considered as discretionary cash available to us to reinvest in the growth of our business or as a measure of cash that will be available to us to meet our obligations.

The following table presents a reconciliation of Adjusted EBITDA to our net loss determined in accordance with IFRS:

	For the thirty-nine weeks ended		For the year ended	
	October 25, 2014	October 26, 2013	January 25, 2014	January 26, 2013
(in thousands)	(unaudited)	(unaudited)		
Net loss	\$ (3,529)	\$ (7,942)	\$ (408)	\$ (4,354)
Finance costs	1,738	1,331	1,967	1,829
Finance income	(114)	(26)	(45)	—
Depreciation and amortization	3,934	3,167	4,745	3,180
Provision for income tax	727	732	3,067	1,692
EBITDA	\$ 2,756	\$ (2,738)	\$ 9,326	\$ 2,347
Additional adjustments				
Stock-based compensation expense(a)	577	186	228	237
Impairment of property and equipment(b)	1,301	156	1,192	—
Onerous contracts(c)	529	—	—	—
Accretion of preferred shares(d)	754	384	514	416
(Gain)/Loss from embedded derivative on Series A and A-1 preferred shares(e)	(1,640)	3,511	2,302	3,960
IPO costs(f)	35	—	—	—
Settlement costs related to former option holder(g)	520	—	—	—
Adjusted EBITDA	\$ 4,832	\$ 1,499	\$ 13,562	\$ 6,960

- (a) Represents non-cash stock-based compensation expense.
- (b) Represents costs related to impairment of property, equipment and intangible assets for stores in the United States.
- (c) Represents provision related to certain stores where the unavoidable costs of meeting the obligations under the lease agreements are expected to exceed the economic benefits expected to be received from the contract.
- (d) Represents loss related to the redemption feature of our preferred shares. In connection with the completion of this offering, we expect that all of our outstanding shares of preferred stock will convert automatically into common shares.
- (e) Represents provision for the conversion feature of the Series A and Series A-1 Preferred Shares. In connection with the completion of this offering, we expect that this liability will be converted into equity. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Conversion Feature of our Preferred Shares."
- (f) Represents fees and expenses incurred in connection with this offering.
- (g) Represents costs incurred to settle a dispute with a former option holder.

- (2) Comparable sales refers to year-over-year comparison information for comparable stores and e-commerce. Our stores are added to the comparable sales calculation in the beginning of their thirteenth month of operation.

RISK FACTORS

Investing in our common shares involves a high degree of risk. You should carefully consider the risks and uncertainties described below together with all of the other information contained in this prospectus, including our consolidated financial statements and the related notes appearing at the end of this prospectus, before deciding to invest in our common shares. If any of the following risks actually occurs, our business, prospects, operating results and financial condition could suffer materially, the trading price of our common shares could decline and you could lose all or part of your investment. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business.

Risks Related to Our Business and Our Industry

We may not be able to successfully implement our growth strategy on a timely basis or at all, which could harm our results of operations.

Our continued growth depends, in large part, on our ability to open new stores and to operate those stores successfully. We believe there is a significant opportunity to expand our store base in the United States and Canada from 21 locations in the United States and 122 locations in Canada as of October 25, 2014. In fiscal 2015, we expect to open approximately 25-30 stores in Canada and 10-15 stores in the United States. Over the longer term, we believe that we have the ability to open approximately 30-40 stores annually, with the proportion of stores opened in the United States per year trending toward 50%.

Our ability to successfully open and operate new stores depends on many factors, including:

- the identification and availability of suitable sites for store locations, the availability of which is beyond our control;
- the negotiation of acceptable lease terms;
- the maintenance of adequate distribution capacity, information systems and other operational system capabilities;
- integrating new stores into our existing buying, distribution and other support operations;
- the hiring, training and retention of store management and other qualified personnel;
- assimilating new store employees into our corporate culture;
- the effective sourcing and management of inventory to meet the needs of our stores on a timely basis; and
- the availability of sufficient levels of cash flow and financing to support our expansion.

Unavailability of attractive store locations, delays in the acquisition or opening of new stores, delays or costs resulting from a decrease in commercial development due to capital constraints, difficulties in staffing and operating new store locations or lack of customer acceptance of stores in new market areas may negatively impact our new store growth and the costs or the profitability associated with new stores.

Additionally, some of our new stores may be located in areas where we have little experience or a lack of brand recognition, particularly in the United States. Those markets may have different competitive conditions, market conditions, consumer tastes and discretionary spending patterns than our existing markets, which may cause these new stores to be less successful than stores in our existing markets. Other new stores may be located in areas where we have existing stores. Although we have experience in these markets, increasing the number of locations in these markets

may result in inadvertent over-saturation of markets and temporarily or permanently divert customers and sales from our existing stores, thereby adversely affecting our overall financial performance.

Accordingly, we cannot assure you that we will achieve our planned growth or, even if we are able to grow our store base as planned, that any new stores will perform as planned. If we fail to successfully implement our growth strategy, we will not be able to sustain the rapid growth in sales and profits that we expect, which would likely have an adverse impact on the price of our common shares.

Our business largely depends on a strong brand image, and if we are unable to maintain and enhance our brand image, particularly in new markets where we have limited brand recognition, we may be unable to increase or maintain our level of sales.

We believe that our brand image and brand awareness has contributed significantly to the success of our business. We also believe that maintaining and enhancing our brand image, particularly in new markets, such as the United States, where we have limited brand recognition, is important to maintaining and expanding our customer base. Our ability to successfully integrate new stores into their surrounding communities, to expand into new markets or to maintain the strength and distinctiveness of our brand image in our existing markets will be adversely impacted if we fail to connect with our target customers. Maintaining and enhancing our brand image may require us to make substantial investments in areas such as merchandising, marketing, store operations, community relations, store graphics and employee training, which could adversely affect our cash flow and which may ultimately be unsuccessful. Furthermore, our brand image could be jeopardized if we fail to maintain high standards for merchandise quality, if we fail to comply with local laws and regulations or if we experience negative publicity or other negative events that affect our image and reputation. Some of these risks may be beyond our ability to control, such as the effects of negative publicity regarding our suppliers. Failure to successfully market and maintain our brand image in new and existing markets could harm our business, results of operations and financial condition.

Our limited operating experience and limited brand recognition in the United States may limit our expansion strategy and cause our business and growth to suffer.

Our future growth depends, to a considerable extent, on our expansion efforts outside of Canada into the United States. Our current operations are based largely in Canada. Therefore we have a limited number of customers and limited experience in operating outside of Canada. We also have limited experience with regulatory environments and market practices outside of Canada and cannot guarantee that we will be able to penetrate or successfully operate in any market outside of Canada. In addition, in connection with our initial expansion efforts in the United States, we have experienced longer projected payback periods for our new stores. We may also encounter difficulty expanding in U.S. markets because of limited brand recognition. In particular, we have no assurance that our marketing efforts will prove successful outside of the narrow geographic regions in which they have been used. In addition, because tea consumption is greater in Canada than in the United States on a per capita basis, we may encounter challenges in the United States in establishing consumer awareness and loyalty or interest in our products and our brand to a different degree than in Canada. The expansion into the United States may also present competitive, merchandising, forecasting and distribution challenges that are different from or more severe than those we currently face. Failure to develop new markets outside of Canada or disappointing growth outside of Canada may harm our business and results of operations.

We face significant competition from other specialty tea and beverage retailers and retailers of grocery products, which could adversely affect us and our growth plans.

The U.S. and Canadian tea markets are highly fragmented. We compete directly with a large number of relatively small independently owned tea retailers and a number of regional and national tea retailers, as well as retailers of grocery products, including loose-leaf tea and tea bags and other beverages. We compete with these retailers on the basis of taste, quality and price of product offered, atmosphere, location, customer service and overall customer experience. We must spend considerable resources to differentiate our customer experience. Some of our competitors may have greater financial, marketing and operating resources than we do. Therefore, despite our efforts, our competitors may be more successful than us in attracting customers. In addition, as we continue to drive growth in the loose-leaf tea category in the United States and Canada, our success, combined with relatively low barriers to entry, may encourage new competitors to enter the market. As we continue to expand geographically, we expect to encounter additional regional and local competitors.

We plan to use primarily cash from operations to finance our growth strategy, and if we are unable to maintain sufficient levels of cash flow we may not meet our growth expectations.

We intend to finance our growth through the cash flows generated by our existing stores, borrowings under our available credit facilities and the net proceeds from this offering. Our primary source of financing for our growth will be cash from operations. However, if our stores are not profitable or if our store profits decline, we may not have the cash flow necessary in order to pursue or maintain our growth strategy. We may also be unable to obtain any necessary financing on commercially reasonable terms to pursue or maintain our growth strategy. If we are unable to pursue or maintain our growth strategy, the market price of our common shares could decline and our results of operations and profitability could suffer.

The planned addition of a significant number of new stores each year will require us to continue to expand and improve our operations and could strain our operational, managerial and administrative resources, which may adversely affect our business.

Our growth strategy calls for the opening of a significant number of new stores each year and our continued expansion will place increased demands on our operational, managerial, administrative and other resources, which may be inadequate to support our expansion. Our senior management team may be unable to effectively address challenges involved with expansion forecasts for fiscal 2015 and 2016. Managing our growth effectively will require us to continue to enhance our store management systems, financial and management controls and information systems and to hire, train and retain regional directors, district managers, store managers and other personnel. Implementing new systems, controls and procedures and these additions to our infrastructure and any changes to our existing operational, managerial, administrative and other resources could negatively impact our results of operations and financial condition.

As we expand our store base we may not experience the same increases in comparable store sales or profitability that we have experienced in the past.

We may not be able to maintain the levels of comparable store sales that we have experienced historically. If our future comparable store sales decline or fail to meet market expectations, the price of our common shares could decline. In addition, the aggregate results of operations of our stores have fluctuated in the past and can be expected to continue to fluctuate in the future. For example, over the past ten fiscal quarters, our quarterly comparable store sales (including e-commerce) have ranged from an increase of 31% in the fourth quarter of fiscal 2012 to an increase of 10% in the third quarter of fiscal 2014. A variety of factors affect comparable store

sales including consumer tastes, competition, current economic conditions, pricing, inflation and weather conditions. These factors may cause our comparable store sales results to be materially lower than recent periods and our expectations, which could harm our results of operations and result in a decline in the price of our common shares.

We may be unable to maintain or improve our Adjusted EBITDA margin, which could adversely affect our financial condition and ability to grow.

Although we believe we can expand our Adjusted EBITDA margin to the high teens over the long term, reaching that target depends on our ability to successfully manage our operating costs and capture certain efficiencies of scale that we expect from expansion. If we are not able to continue our cost discipline, improve our systems, maintain appropriate labor levels and capture certain efficiencies of scale, or if increased competition imposes pricing pressures or our input prices increase, such as the price of tea, materials used in our tea accessories and other tea-related merchandise or labor, our Adjusted EBITDA margin may not expand as anticipated and could even stagnate or decline, which could have a material adverse effect on our business, financial condition and results of operations.

Any decrease in customer traffic in the shopping malls or other locations in which our stores are located could cause our sales to be less than expected.

Our stores are located in shopping malls, other shopping centers and street locations. Sales at these stores are derived, to a significant degree, from the volume of customer traffic in those locations and in the surrounding area. Our stores benefit from the current popularity of shopping malls and centers as shopping destinations and their ability to generate customer traffic in the vicinity of our stores. Our sales volume and customer traffic may be adversely affected by, among other things:

- economic downturns in the United States, Canada or regionally;
- high fuel prices;
- changes in consumer demographics;
- a decrease in popularity of shopping malls or centers in which a significant number of our stores are located;
- the closing of a shopping mall's or center's "anchor" store or the stores of other key tenants; or
- a deterioration in the financial condition of shopping mall and center operators or developers which could, for example, limit their ability to maintain and improve their facilities.

A reduction in customer traffic as a result of these or any other factors could have a material adverse effect on us.

In addition, severe weather conditions and other catastrophic occurrences in areas in which we have stores may have a material adverse effect on our results of operations. Such conditions may result in physical damage to our stores, loss of inventory, decreases in customer traffic and closure of one or more of our stores. Any of these factors may disrupt our business and have a material adverse effect on our financial condition and results of operations.

If we are unable to attract, train, assimilate and retain employees that embody our culture, including store personnel, store and district managers and regional directors, we may not be able to grow or successfully operate our business.

Our success depends in part upon our ability to attract, train, assimilate and retain a sufficient number of employees, including Tea Guides, store managers, district managers and regional directors, who understand and appreciate our culture, are able to represent our brand effectively and establish credibility with our customers. If we are unable to hire and retain store personnel capable of consistently providing a high level of customer service, as demonstrated by their enthusiasm for our culture, understanding of our customers and knowledge of the loose-leaf tea, tea accessories and other tea-related merchandise we offer, our ability to open new stores may be impaired, the performance of our existing and new stores could be materially adversely affected and our brand image may be negatively impacted. In addition, the rate of employee turnover in the retail industry is typically high and finding qualified candidates to fill positions may be difficult. Our planned growth will require us to attract, train and assimilate even more personnel. Any failure to meet our staffing needs or any material increases in team member turnover rates could have a material adverse effect on our business or results of operations. We also rely on temporary or seasonal personnel to staff our stores and distribution centers. We cannot guarantee that we will be able to find adequate temporary or seasonal personnel to staff our operations when needed, which may strain our existing personnel and negatively impact our operations.

Because our business is highly concentrated on a single, discretionary product category, loose-leaf teas, tea accessories and other tea-related merchandise, we are vulnerable to changes in consumer preferences and in economic conditions affecting disposable income that could harm our financial results.

Our business is not diversified and consists primarily of developing, sourcing, marketing and selling loose-leaf teas, tea accessories and other tea-related merchandise. Consumer preferences often change rapidly and without warning, moving from one trend to another among many retail concepts. Therefore, our business is substantially dependent on our ability to educate consumers on the many positive attributes of tea and anticipate shifts in consumer tastes. Any future shifts in consumer preferences away from the consumption of beverages brewed from premium loose-leaf teas would also have a material adverse effect on our results of operations. In particular, there has been an increasing focus on health and wellness by consumers, which we believe has increased demand for products, such as our teas, that are perceived to be healthier than other beverage alternatives. If such consumer preference trends change, or if our teas are not perceived to be healthier than other beverage alternatives, our financial results could be adversely affected.

Consumer purchases of specialty retail products, including our products, are historically affected by economic conditions such as changes in employment, salary and wage levels, the availability of consumer credit, inflation, interest rates, tax rates, fuel prices and the level of consumer confidence in prevailing and future economic conditions. These discretionary consumer purchases may decline during recessionary periods or at other times when disposable income is lower. Our financial performance may become susceptible to economic and other conditions in regions or states where we have a significant number of stores. Our continued success will depend, in part, on our ability to anticipate, identify and respond quickly to changing consumer preferences and economic conditions.

We rely on independent certification for a number of our products and our marketing of products as organic is subject to government regulation. Loss of certification within our supply chain or as related to our manufacturing process or failure to comply with government regulations pertaining to the use of the term organic could harm our business.

We rely on independent certification, such as certifications of our products as "organic," "Fair Trade," or "Kosher," to differentiate some of our products from others. We offer one of the largest certified organic collections of tea in North America amongst branded tea retailers. We must comply with the requirements of independent organizations or certification authorities in order to label our products as certified. The loss of any independent certifications could adversely affect our marketplace position, which could harm our business.

In addition, the U.S. Department of Agriculture and the Canadian Food Inspection Agency require that our certified organic products meet certain consistent, uniform standards. Compliance with such regulations could pose a significant burden on some of our suppliers, which could cause a disruption in some of our product offerings. Moreover, in the event of actual or alleged non-compliance, we might be forced to find an alternative supplier, which could adversely affect our business, results of operations and financial condition.

Our success depends, in part, on our ability to source, develop and market new varieties of loose-leaf teas, tea accessories and other tea-related merchandise that meet our high standards and customer preferences.

We currently offer approximately 150 varieties of loose-leaf teas and tea blends, including 30 new teas and tea blends each year, and a wide assortment of tea accessories and other tea-related merchandise. Our success depends in part on our ability to continually innovate, develop, source and market new varieties of loose-leaf teas, tea accessories and other tea-related merchandise that both meet our standards for quality and appeal to customers' preferences. Failure to innovate, develop, source and market new varieties of tea, tea accessories and other tea-related merchandise that consumers want to buy could lead to a decrease in our sales and profitability.

We may experience negative effects to our brand and reputation from real or perceived quality or safety issues with our teas, tea accessories and other tea-related merchandise, which could have an adverse effect on our operating results.

We believe our customers rely on us to provide them with high-quality loose-leaf teas, tea accessories and other tea-related merchandise. Concerns regarding the safety of our teas, tea accessories and other tea-related merchandise or the safety and quality of our supply chain could cause consumers to avoid purchasing certain products from us or to seek alternative sources of tea, even if the basis for the concern has been addressed or is outside of our control. Adverse publicity about these concerns, whether or not ultimately based on fact, and whether or not involving teas, tea accessories or tea-related merchandise sold at our stores, could discourage consumers from buying our teas, tea accessories and other tea-related merchandise and have an adverse effect on our brand, reputation and operating results.

Furthermore, the sale of tea, tea accessories and other tea-related merchandise entails a risk of product liability claims and the resulting negative publicity. For example, tea supplied to us may contain contaminants that, if not detected by us, could result in illness or death upon their consumption. Similarly, tea accessories and other tea-related merchandise could contain contaminants or contain design or manufacturing defects that could result in illness, injury or death. We cannot assure you that product liability claims will not be asserted against us or that we will not be obligated to perform product recalls in the future.

We may also be subject to involuntary product recalls or may voluntarily conduct a product recall. The costs associated with any future product recall could, individually and in the aggregate, be significant in any given fiscal year. In addition, any product recall, regardless of direct costs of the recall, may harm consumer perceptions of our teas, tea accessories and tea-related merchandise and have a negative impact on our future sales and results of operations.

Any loss of confidence on the part of our customers in the safety and quality of our teas, tea accessories and other tea-related merchandise would be difficult and costly to overcome. Any such adverse effect could be exacerbated by our position in the market as a purveyor of quality loose-leaf teas, tea accessories and other tea-related merchandise and could significantly reduce our brand value. Issues regarding the safety of any teas, tea accessories or other tea-related merchandise sold by us, regardless of the cause, could have a substantial and adverse effect on our sales and operating results.

Use of social media may adversely impact our reputation or subject us to fines or other penalties.

There has been a substantial increase in the use of social media platforms and similar devices, including blogs, social media websites, and other forms of Internet-based communications, which allow individuals access to a broad audience of consumers and other interested persons. As laws and regulations rapidly evolve to govern the use of these platforms and devices, the failure by us, our employees or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms and devices could adversely affect our reputation or subject us to fines or other penalties.

Consumers value readily available information concerning retailers and their goods and services and often act on such information without further investigation and without regard to its accuracy. Information concerning us may be posted on social media platforms and similar devices by unaffiliated third parties, whether seeking to pass themselves off as us or not, at any time, which may be adverse to our reputation or business. The harm may be immediate without affording us an opportunity for redress or correction.

Because we rely on a limited number of third-party suppliers and manufacturers, we may not be able to obtain quality products on a timely basis or in sufficient quantities.

We rely on a limited number of vendors to supply us with straight tea and specially blended teas on a continuous basis. Our financial performance depends in large part on our ability to purchase tea in sufficient quantities at competitive prices from these vendors. In general, we do not have long-term purchase contracts or other contractual assurances of continued supply, pricing or exclusive access to products from these vendors.

Any of our suppliers or manufacturers could discontinue supplying us with teas in sufficient quantities for a variety of reasons. The benefits we currently experience from our supplier and manufacturer relationships could be adversely affected if they:

- raise the prices they charge us;
- discontinue selling products to us;
- sell similar or identical products to our competitors; or
- enter into arrangements with competitors that could impair our ability to sell our suppliers' and manufacturers' products, including by giving our competitors exclusive licensing arrangements or exclusive access to tea blends or limiting our access to such arrangements or blends.

During fiscal 2013, our five largest vendors represented approximately 75% of our total loose-leaf tea inventory purchases. Any disruption to these relationships would have a material adverse effect on our business.

Events that adversely affect our vendors could impair our ability to obtain inventory in the quantities and at the quality that we desire. Such events include difficulties or problems with our vendors' businesses, finances, labor relations, ability to import raw materials, costs, production, insurance and reputation, as well as natural disasters or other catastrophic occurrences.

More generally, if we experience significant increased demand for our teas, tea accessories and other tea-related merchandise, or need to replace an existing vendor, there can be no assurance that additional supplies or additional manufacturing capacity will be available when required on terms that are acceptable to us, or at all, or that any vendor would allocate sufficient capacity to us in order to meet our requirements, fill our orders in a timely manner or meet our strict quality requirements. In the event we are required to find new sources of supply, we may encounter delays in production, inconsistencies in quality and added costs as a result of the time it takes to train our suppliers and manufacturers in our methods, products and quality control standards. In particular, the loss of a tea vendor would necessitate that we work with our new vendors to replicate our tea blends, which could result in our inability to sell such tea blends for a period of time or a change of quality in our tea blends. Any delays, interruption or increased costs in the supply of loose-leaf teas or the manufacture of our tea accessories and other tea-related merchandise could have an adverse effect on our ability to meet customer demand for our products and result in lower sales and profitability both in the short and long term.

A shortage in the supply, a decrease in the quality or an increase in the price of tea as a result of weather conditions, earthquakes, crop disease, pests or other natural or manmade causes could impose significant costs and losses on our business.

The supply and price of tea is subject to fluctuation, depending on demand and other factors outside of our control. The supply, quality and price of our teas can be affected by multiple factors in tea-producing countries, including political and economic conditions, civil and labor unrest, adverse weather conditions, including floods, drought and temperature extremes, earthquakes, tsunamis, and other natural disasters and related occurrences. This risk is particularly true with respect to regions or countries from which we source a significant percentage of our products. In extreme cases, entire tea harvests may be lost or may be negatively impacted in some geographic areas. These factors can increase costs and decrease sales, which may have a material adverse effect on our business, results of operations and financial condition.

Tea may be vulnerable to crop disease and pests, which may vary in severity and effect. The costs to control disease and pest damage vary depending on the severity of the damage and the extent of the plantings affected. Moreover, there can be no assurance that available technologies to control such conditions will continue to be effective. These conditions can increase costs and decrease sales, which may have a material adverse effect on our business, results of operations and financial condition.

Our success depends substantially upon the continued retention of our senior management.

Our future success is substantially dependent on the continued service of certain members of our senior management, including Sylvain Toutant, our President and Chief Executive Officer, Luis Borgen, our Chief Financial Officer, and David Segal, our Chief Brand and Innovation Officer. Messrs. Toutant and Borgen have been primarily responsible for determining the strategic direction of our business and for executing our growth strategy and are integral to our brand, culture and the positive business reputation we enjoy with our customers and vendors. Mr. Segal has played a

central role in maintaining and developing our corporate culture. The loss of the services of any of these executives could have a material adverse effect on our business and prospects, as we may not be able to find suitable individuals to replace them on a timely basis, if at all. In addition, any such departure could be viewed negatively by investors and analysts, which could cause the price of our common shares to decline.

We rely significantly on information technology systems and any failure, inadequacy, interruption or security failure of those systems could harm our ability to operate our business effectively.

We rely on our information technology systems to effectively manage our business data, communications, point-of-sale, supply chain, order entry and fulfillment, inventory and distribution centers and other business processes. The failure of our systems to perform as we anticipate could disrupt our business and result in transaction errors, processing inefficiencies and the loss of sales, causing our business to suffer. Despite any precautions we may take, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, systems failures, power outages, viruses, security breaches, cyber attacks and terrorism, including breaches of our transaction processing or other systems that could result in the compromise of confidential company, customer or employee data. We maintain disaster recovery procedures, but there is no guarantee that these will be adequate in all circumstances. Any such damage or interruption could have a material adverse effect on our business, cause us to face significant fines, customer notice obligations or costly litigation, harm our reputation with our customers, require us to expend significant time and expense developing, maintaining or upgrading our information technology systems or prevent us from paying our vendors or employees, receiving payments from our customers or performing other information technology, administrative or outsourcing services on a timely basis. Furthermore, our ability to conduct our website operations may be affected by changes in foreign, state, provincial and federal privacy laws and we could incur significant costs in complying with the multitude of foreign, state, provincial and federal laws regarding the unauthorized disclosure of personal information. Although we carry business interruption insurance, our coverage may not be sufficient to compensate us for potentially significant losses in connection with the risks described above.

In addition, we sell merchandise over the Internet through our website. Our website operations may be affected by our reliance on third-party hardware and software providers (whose products and services are not within our control, making it more difficult for us to correct any defects), technology changes, risks related to the failure of computer systems through which we conduct our website operations, telecommunications failures, security breaches or attempts thereof and similar disruptions. We cannot assure you that any third-party hardware and software providers will continue to make their products available to us on acceptable terms, or at all, or that such providers will maintain policies and practices regarding data privacy and security in compliance with all applicable laws. Any impairment in our relationships with such providers could have an adverse effect on our business.

Our marketing programs, e-commerce initiatives and use of consumer information are governed by an evolving set of laws and enforcement trends and unfavorable changes in those laws or trends, or our failure to comply with existing or future laws, could substantially harm our business and results of operations.

We collect, maintain and use data, including personally identifiable information, provided to us through online activities and other customer interactions in our business. Our current and future marketing programs depend on our ability to collect, maintain and use this information, and our ability to do so is subject to evolving international and U.S. and Canadian federal, state and/or

provincial laws and enforcement trends with respect to the foregoing. We strive to comply with all applicable laws and other legal obligations relating to privacy, data protection and consumer protection, including those relating to the use of data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, may conflict with other rules or may conflict with our practices. If so, we may suffer damage to our reputation and be subject to proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts to defend our practices, distract our management, increase our costs of doing business and result in monetary liability.

In addition, as data privacy and marketing laws change, we may incur additional costs to ensure we remain in compliance. If applicable data privacy and marketing laws become more restrictive at the international, federal, state or provincial levels, our compliance costs may increase, our ability to effectively engage customers via personalized marketing may decrease, our investment in our e-commerce platform may not be fully realized, our opportunities for growth may be curtailed by our compliance capabilities or reputational harm and our potential liability for security breaches may increase.

Data security breaches and attempts thereof could negatively affect our reputation, credibility and business.

We collect and store personal information relating to our customers and employees, including their personally identifiable information, and rely on third parties for the operation of our e-commerce site and for the various social media tools and websites we use as part of our marketing strategy. Consumers are increasingly concerned over the security of personal information transmitted over the Internet (or through other mechanisms), consumer identity theft and user privacy. Any perceived, attempted or actual unauthorized disclosure of personally identifiable information regarding our employees, customers or website visitors could harm our reputation and credibility, reduce our e-commerce sales, impair our ability to attract website visitors, reduce our ability to attract and retain customers and could result in litigation against us or the imposition of significant fines or penalties. We cannot assure you that any of our third-party service providers with access to such personally identifiable information will maintain policies and practices regarding data privacy and security in compliance with all applicable laws, or that they will not experience data security breaches or attempts thereof which could have a corresponding adverse effect on our business.

Recently, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting new foreign, federal, provincial and state laws and legislative proposals addressing data privacy and security, as well as increased data protection obligations imposed on merchants by credit card issuers. As a result, we may become subject to more extensive requirements to protect the customer information that we process in connection with the purchase of our products, resulting in increased compliance costs.

Fluctuations in our results of operations for the fourth fiscal quarter would have a disproportionate effect on our overall financial condition and results of operations.

Our business is seasonal and, historically, we have realized a higher portion of our sales, net income and cash flow from operations in the fourth fiscal quarter, due to the impact of the holiday selling season. Any factors that harm our fourth fiscal quarter operating results, including disruptions in our supply chain, adverse weather or unfavorable economic conditions, could have a disproportionate effect on our results of operations for the entire fiscal year.

In order to prepare for our peak shopping season, we must order and maintain higher quantities of inventory than we would carry at other times of the year. As a result, our working capital requirements also fluctuate during the year, increasing in the second and third fiscal quarters in anticipation of the fourth fiscal quarter. Any unanticipated decline in demand for our loose-leaf teas, tea accessories and other tea-related merchandise during our peak shopping season could require us to sell excess inventory at a substantial markdown, which could diminish our brand and reduce our sales and gross profit.

Our quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including the timing of new store openings and the sales contributed by new stores. As a result, historical period-to-period comparisons of our sales and operating results are not necessarily indicative of future period-to-period results. You should not rely on the results of a single fiscal quarter, particularly the fourth fiscal quarter holiday season, as an indication of our annual results or our future performance.

Third-party failure to deliver merchandise from our distribution centers to our stores and e-commerce customers could result in lost sales or reduced demand for our teas, tea accessories and other tea-related merchandise.

We currently rely upon third-party transportation providers for all of our product shipments from our distribution centers to our stores and e-commerce customers. Our utilization of third-party delivery services for shipments is subject to risks, including increases in fuel prices, which would increase our shipping costs, and employee strikes and inclement weather, which may impact third parties' abilities to provide delivery services that adequately meet our shipping needs. If we change shipping companies, we could face logistical difficulties that could adversely affect deliveries, and we would incur costs and expend resources in connection with such change. Moreover, we may not be able to obtain terms as favorable as those we receive from the third-party transportation providers in Canada and the United States that we currently use, which in turn would increase our costs and thereby adversely affect our operating results.

Our ability to source our teas, tea accessories and other tea-related merchandise profitably or at all could be hurt if new trade restrictions are imposed or existing trade restrictions become more burdensome.

All of our teas are currently grown, and a substantial majority of our tea accessories and other tea-related merchandise is currently manufactured, outside of the United States and Canada. The United States, Canada, and the countries in which our products are produced or sold internationally have imposed and may impose additional quotas, duties, tariffs, or other restrictions or regulations, or may adversely adjust prevailing quota, duty or tariff levels. Countries impose, modify and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions that make it impossible for us to predict future developments regarding tariffs and other trade restrictions. Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of teas, tea accessories and other tea-related merchandise available to us or may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition and results of operations.

In addition, there is a risk that our suppliers and manufacturers could fail to comply with applicable regulations, which could lead to investigations by U.S., Canadian or foreign government agencies responsible for international trade compliance. Resulting penalties or enforcement actions could delay future imports or exports or otherwise negatively affect our business.

Fluctuations in foreign currency exchange rates may affect our price negotiations with our third-party suppliers and manufacturers.

Substantially all of our suppliers and manufacturers are located outside of Canada and changes in the exchange rates between the Canadian dollar and the U.S. dollar and Euro may have a significant, and potentially adverse, effect on our price negotiations with such parties. If the Canadian dollar weakens against any such currencies, our suppliers and manufacturers may attempt to renegotiate the terms of their arrangements with us, which may have a negative effect on our operating results.

Fluctuations in foreign currency exchange rates could harm our results of operations as well as the price of common shares and any dividends that we may pay.

Sales in the United States accounted for approximately 4% and 6% of our total sales for fiscal 2012 and fiscal 2013, and approximately 9% of our total sales for the first thirty-nine weeks of fiscal 2014. The reporting currency for our combined consolidated financial statements is the Canadian dollar. In the future, we expect to derive an increasing portion of our sales and incur a significant portion of our operating costs in the United States, and changes in exchange rates between the Canadian dollar and the U.S. dollar may have a significant, and potentially adverse, effect on our results of operations. Because we recognize sales in the United States in U.S. dollars, if the U.S. dollar weakens against the Canadian dollar it would have a negative impact on our U.S. operating results upon translation of those results into Canadian dollars for the purposes of consolidation. Any hypothetical reduction in sales could be partially or completely offset by lower cost of sales and lower selling, general and administration expenses that are generated in U.S. dollars. We have not historically engaged in hedging transactions and do not currently contemplate engaging in hedging transactions to mitigate foreign exchange risks. As we continue to recognize gains and losses in foreign currency transactions, depending upon changes in future currency rates, such gains or losses could have a significant, and potentially adverse, effect on our results of operations.

Canadian dollars drive our earnings per share; accordingly, our earnings per share may be translated into U.S. dollars by analysts and others. Given the foregoing, the value of an investment in our common shares to a U.S. shareholder will fluctuate as the U.S. dollar rises and falls against the Canadian dollar. Our decision to declare a dividend depends on results of operations reported in Canadian dollars, and we will declare dividends, if any, in Canadian dollars. As a result, U.S. and other shareholders seeking U.S. dollar total returns, including increases in the share price and dividends paid, are subject to foreign exchange risk as the U.S. dollar rises and falls against the Canadian dollar.

A widespread health epidemic could adversely affect our business.

Our business could be severely affected by a widespread regional, national or global health epidemic. A widespread health epidemic may cause customers to avoid public gathering places such as our stores or otherwise change their shopping behaviors. Additionally, a widespread health epidemic could adversely affect our business by disrupting production of products to our stores and by affecting our ability to appropriately staff our stores.

We are subject to potential challenges relating to overtime pay and other regulations that impact our employees, which could cause our business, financial condition, results of operations or cash flows to suffer.

Various labor laws, including U.S. federal, U.S. state and Canadian federal and provincial laws, among others, govern our relationship with our employees and affect our operating costs. These laws include minimum wage requirements, overtime pay, unemployment tax rates, workers' compensation rates and citizenship requirements. These laws change frequently and may be difficult to interpret and apply. In particular, as a retailer, we may be subject to challenges regarding

the application of overtime and related pay regulations to our employees. A determination that we do not comply with these laws could harm our brand image, business, financial condition and results of operation. Additional government-imposed increases in minimum wages, overtime pay, paid leaves of absence or mandated health benefits could also cause our business, financial condition, results of operations or cash flows to suffer.

Litigation may adversely affect our business, financial condition, results of operations or liquidity.

Our business is subject to the risk of litigation by employees, consumers, vendors, competitors, intellectual property rights holders, shareholders, government agencies and others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation, particularly class action lawsuits, regulatory actions and intellectual property claims, is inherently difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits may remain unknown for substantial periods of time. In addition, certain of these lawsuits, if decided adversely to us or settled by us, may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operation are required. Regardless of the outcome or merit, the cost to defend future litigation may be significant and result in the diversion of management and other company resources. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation may adversely affect our business, financial condition, results of operations or liquidity.

Our failure to comply with existing or new regulations, both in the United States and Canada, or an adverse action regarding product claims or advertising could have a material adverse effect on our results of operations and financial condition.

Our business operations, including labeling, advertising, distribution and sale of our products, are subject to regulation by various federal, state and local government entities and agencies, particularly the Food and Drug Administration, or the FDA, and the Federal Trade Commission, or the FTC, in the United States, as well as Canadian entities and agencies, including the Canadian Food Inspection Agency. From time to time, we may be subject to challenges to our marketing, advertising or product claims in litigation or governmental, administrative or other regulatory proceedings. Failure to comply with applicable regulations or withstand such challenges could result in changes in product labeling, packaging or advertising, loss of market acceptance of the product by consumers, additional recordkeeping requirements, injunctions, product withdrawals, recalls, product seizures, fines, monetary settlements or criminal prosecution. Any of these actions could have a material adverse effect on our results of operations and financial condition.

In addition, consumers who allege that they were deceived by any statements that were made in advertising or labeling could bring a lawsuit against us under consumer protection laws. If we were subject to any such claims, while we would defend ourselves against such claims, we may ultimately be unsuccessful in our defense. Defending ourselves against such claims, regardless of their merit and ultimate outcome, would likely result in a significant distraction for management, be lengthy and costly and could adversely affect our results of operations and financial condition. In addition, the negative publicity surrounding any such claims could harm our reputation and brand image.

We may not be able to protect our intellectual property adequately, which could harm the value of our brand and adversely affect our business.

We believe that our intellectual property has substantial value and has contributed significantly to the success of our business. We pursue the registration of our domain names, trademarks,

service marks and patentable technology in Canada, the United States and in certain other jurisdictions. In particular, our trademarks, including our registered DAVIDsTEA and DAVIDsTEA logo design trademarks and the unregistered names of a significant number of the varieties of specially blended teas that we sell, are valuable assets that reinforce the distinctiveness of our brand and our customers' favorable perception of our stores.

We also strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions with our employees, contractors (including those who develop, source, manufacture, store and distribute our tea blends, tea accessories and other tea-related merchandise), vendors and other third parties. However, we may not enter into confidentiality and/or invention assignment agreements with every employee, contractor and service provider to protect our proprietary information and intellectual property ownership rights. Those agreements that we do execute may be breached, resulting in the unauthorized use or disclosure of our proprietary information. Individuals not subject to invention assignments agreements may make adverse ownership claims to our current and future intellectual property, and even the existence of executed confidentiality agreements may not deter independent development of similar intellectual property by others. In addition, although we have exclusivity agreements with each of our significant suppliers who performs blending services for us, or who has access to our designs, we may not be able to successfully protect the tea blends and designs to which such suppliers have access under trade secret laws, and the periods for exclusivity governing our tea blends last for periods as brief as 18 months. Unauthorized disclosure of or claims to our intellectual property or confidential information may adversely affect our business.

From time to time, third parties have used our trade dress and/or sold our products using our name without our consent, and, we believe, have infringed or misappropriated our intellectual property rights. We respond to these actions on a case-by-case basis and where appropriate may commence litigation to protect our intellectual property rights. However, we may not be able to detect unauthorized use of our intellectual property or to take appropriate steps to enforce, defend and assert our intellectual property in all instances.

Effective trade secret, patent, copyright, trademark and domain name protection is expensive to obtain, develop and maintain, both in terms of initial and ongoing registration or prosecution requirements and expenses and the costs of defending our rights. Our trademark rights and related registrations may be challenged in the future and could be opposed, canceled or narrowed. Our failure to register or protect our trademarks could prevent us in the future from using our trademarks or challenging third parties who use names and logos similar to our trademarks, which may in turn cause customer confusion, impede our marketing efforts, negatively affect customers' perception of our brand, stores and products, and adversely affect our sales and profitability. Moreover, intellectual property proceedings and infringement claims brought by or against us could result in substantial costs and a significant distraction for management and have a negative impact on our business. We cannot assure you that we are not infringing or violating, and have not infringed or violated, any third-party intellectual property rights, or that we will not be accused of doing so in the future.

In addition, although we have also taken steps to protect our intellectual property rights internationally, the laws of certain foreign countries may not protect intellectual property to the same extent as do the laws of the United States and Canada and mechanisms for enforcement of intellectual property rights may be inadequate in those countries. Other entities may have rights to trademarks that contain portions of our marks or may have registered similar or competing marks in foreign countries. There may also be other prior registrations in other foreign countries of which we are not aware. We may need to expend additional resources to defend our trademarks in these countries, and the inability to defend such trademarks could impair our brand or adversely affect the growth of our business internationally.

We are subject to the risks associated with leasing substantial amounts of space and are required to make substantial lease payments under our operating leases. Any failure to make these lease payments when due would likely harm our business, profitability and results of operations.

We do not own any real estate. Instead, we lease all of our store locations, our corporate offices in Montréal, Canada and Newton Upper Falls, Massachusetts and our distribution center in Montréal, Canada. Our store leases typically have ten-year terms and generally require us to pay total rent per square foot that is reflective of our small average store square footage and premium locations. Many of our lease agreements have defined escalating rent provisions over the initial term and any extensions. As our stores mature and as we expand our store base, our lease expense and our cash outlays for rent under our lease agreements will increase. Our substantial operating lease obligations could have significant negative consequences, including:

- requiring that an increased portion of our cash from operations and available cash be applied to pay our lease obligations, thus reducing liquidity available for other purposes;
- increasing our vulnerability to adverse general economic and industry conditions;
- limiting our flexibility to plan for or react to changes in our business or in the industry in which we compete; and
- limiting our ability to obtain additional financing.

We depend on cash flow from operations to pay our lease expenses, finance our growth capital requirements and fulfill our other cash needs. If our business does not generate sufficient cash flow from operating activities to fund these requirements, we may not be able to achieve our growth plans, fund our other liquidity and capital needs or ultimately service our lease expenses, which would harm our business.

If an existing or future store is not profitable, and we decide to close it, we may nonetheless remain committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. Moreover, even if a lease has an early cancellation clause, we may not satisfy the contractual requirements for early cancellation under that lease. In addition, as our leases expire, we may fail to negotiate renewals on commercially acceptable terms or at all, which could cause us to close stores in desirable locations. Even if we are able to renew existing leases, the terms of such renewal may not be as attractive as the expiring lease, which could materially and adversely affect our results of operations. Of our current stores, no store leases expire without an option to renew in fiscal 2015 and three store leases expire without an option to renew in fiscal 2016. Our inability to enter into new leases or renew existing leases on terms acceptable to us or be released from our obligations under leases for stores that we close could materially adversely affect us.

Our ability to use our net operating loss carryforwards in the United States may be subject to limitation in the event we experience an "ownership change."

As of January 25, 2014, we had U.S. federal net operating loss carryforwards of \$9.2 million. Our U.S. federal net operating loss carryforwards begin to expire in 2032.

Under Section 382 of the Internal Revenue Code of 1986, as amended, our ability to utilize net operating loss carryforwards in any taxable year may be limited if we experience an "ownership change." A Section 382 "ownership change" generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. The completion of this offering, together with transactions that have occurred since our inception, may trigger such an "ownership change" pursuant to Section 382. Accordingly, the application of

Section 382 could have a material effect on the use of our net operating loss carryforwards, which could adversely affect our future cash flow from operations.

Risks Relating to Our Common Shares and this Offering

Certain shareholders will own a significant percentage of our common shares following this offering, which will limit your ability to influence corporate matters and who may disagree with management's strategies.

After completion of this offering, Rainy Day Investments Ltd., or Rainy Day, which is solely owned by Herschel Segal, one of our co-founders and a director, will own a significant percentage of our common shares and will have effective voting control. Accordingly, Rainy Day will have a significant influence over the outcome of any corporate transaction or other matter submitted to shareholders for approval and the interests of Rainy Day may differ from the interests of our other shareholders. In addition, Rainy Day will have a significant influence over the management of our company and could have views about corporate strategy that differ from that of our management.

We are eligible to be treated as an "emerging growth company," as defined in the Securities Act, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common shares less attractive to investors.

We are eligible to be treated as an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation and exemptions from the requirements of holding a non-binding shareholder advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. As a result, our shareholders may not have access to certain information that they may deem important. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if our total annual gross revenues exceed US\$1.0 billion, if we issue more than US\$1.0 billion in non-convertible debt securities during any three-year period, or if the market value of our common shares held by non-affiliates exceeds US\$700 million as of any last Saturday in July before that time. We cannot predict if investors will find our common shares less attractive because we may rely on these exemptions. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and our stock price may be more volatile.

If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common shares may be negatively affected.

As a public company, we will be required to maintain internal controls over financial reporting and to report any material weaknesses in such internal controls. In addition, beginning with our second annual report on Form 20-F, we will be required to furnish a report by management on the effectiveness of our internal control over financial reporting, pursuant to Section 404 of the Sarbanes-Oxley Act. Our independent registered public accounting firm is not required to express an opinion as to the effectiveness of our internal control over financial reporting until after we are no longer an "emerging growth company," as defined in the JOBS Act. At such time, however, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed or operating.

The process of designing, implementing, and testing the internal control over financial reporting required to comply with this obligation is time-consuming, costly and complicated. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner or to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting once we are no longer an "emerging growth company," investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected. We could also become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

If you purchase common shares in this offering, you will suffer immediate and substantial dilution of your investment.

The initial public offering price of our common shares is substantially higher than the net tangible book value per share of our common shares. Therefore, if you purchase our common shares in this offering, you will pay a price per share that substantially exceeds our net tangible book value per share after this offering. Based on the initial public offering price of US\$ per share, the mid-point of the price range set forth on the cover page of this prospectus, you will experience immediate dilution of US\$ per share, representing the difference between our pro forma net tangible book value per share after giving effect to this offering and the initial public offering price. In addition, purchasers of common shares in this offering will have contributed % of the aggregate price paid by all purchasers of our common shares but will own only approximately % of our common shares outstanding after this offering. We also have a large number of outstanding stock options to purchase common shares with exercise prices that are below the estimated initial public offering price of our common shares. To the extent that these options are exercised, you will experience further dilution. See "Dilution" for more detail.

An active, liquid trading market for our common shares may not develop, which may limit your ability to sell your shares.

Prior to this offering, there was no public market for our common shares. Although we intend to apply to list our common shares on under the symbol , an active trading market for our shares may never develop or be sustained following this offering. The initial public offering price will be determined by negotiations between us and the underwriters and may not be indicative of market prices of our common shares that will prevail in the open market after the offering. A public trading market having the desirable characteristics of depth, liquidity and orderliness depends upon the existence of willing buyers and sellers at any given time, such existence being dependent upon the individual decisions of buyers and sellers over which neither we nor any market maker has control. The failure of an active and liquid trading market to develop and continue would likely have a material adverse effect on the value of our common shares. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

Our operating results and share price may be volatile, and the market price of our common shares after this offering may drop below the price you pay.

Our quarterly operating results are likely to fluctuate in the future. In addition, securities markets worldwide have experienced, and are likely to continue to experience, significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could subject the market price of our shares to wide price fluctuations regardless of our

operating performance. Our operating results and the trading price of our shares may fluctuate in response to various factors, including:

- market conditions or trends in our industry or the broader stock market and, in particular, in the specialty retail sales environment;
- variations in our operating performance and the performance of our competitors;
- seasonal fluctuations;
- our entry into new markets;
- timing of new store openings and our levels of comparable store sales;
- actual or anticipated fluctuations in our quarterly financial and operating results;
- actions of our competitors;
- issuance of new or changed securities analysts' reports or recommendations;
- sales, or anticipated sales, of large blocks of our stock;
- additions or departures of key personnel;
- regulatory developments negatively affecting our industry;
- changing economic conditions;
- investors' perception of us; and
- other events beyond our control such as weather and war.

These and other factors, many of which are beyond our control, may cause our operating results and the market price and demand for our shares to fluctuate substantially. Fluctuations in our quarterly operating results could limit or prevent investors from readily selling their shares and may otherwise negatively affect the market price and liquidity of our shares. In addition, in the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the company that issued the stock. If any of our shareholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management from our business, which could significantly harm our profitability and reputation.

As a public company, we will become subject to additional laws, regulations and stock exchange listing standards, which will impose additional costs on us and may strain our resources and divert our management's attention.

We have historically operated our business as a private company. After this offering, we will be subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the listing requirements of , and other applicable securities laws and regulations. We will also become obligated to file with the Canadian securities regulators similar reports pursuant to securities laws and regulations applicable in all the provinces and territories of Canada in which we will be a reporting issuer. Compliance with these laws and regulations will increase our legal and financial compliance costs and make some activities more difficult, time-consuming or costly. For example, the Exchange Act will require us, among other things, to file annual and current reports with respect to our business and operating results. We also intend to file quarterly reports with the SEC on Form 6-K. We also expect that being a public company and being subject to new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors may therefore strain our resources, divert management's attention and affect our ability to attract and retain qualified Board members.

A significant portion of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future. This could cause the market price of our common shares to drop significantly, even if our business is doing well.

Sales of a substantial number of our common shares in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common shares. After this offering, we will have outstanding _____ common shares based on the number of shares outstanding as of _____, 2015. This includes _____ shares that we are selling in this offering, which may be resold in the public market immediately, and assumes no exercises of outstanding options. Following the consummation of this offering, _____ shares that are not being sold in this offering will be subject to a 180-day lock-up period provided under lock-up agreements executed in connection with this offering described in "Underwriting" and restricted from immediate resale under the federal securities laws as described in "Shares Eligible for Future Sale." All of these shares will, however, be able to be resold after the expiration of the lock-up period, as well as pursuant to customary exceptions thereto or upon the waiver of the lock-up agreement by certain of the underwriters. We also intend to register _____ common shares that we may issue under our equity compensation plans. Once we register these shares, they can be freely sold in the public market upon issuance, subject to the lock-up agreements. As restrictions on resale end, the market price of our stock could decline if the holders of currently restricted shares sell them or are perceived by the market as intending to sell them.

Because we have no current plans to pay regular cash dividends on our common shares following this offering, you may not receive any return on investment unless you sell your common shares for a price greater than that which you paid for it.

We do not anticipate paying any regular cash dividends on our common shares following this offering. Any decision to declare and pay dividends in the future will be made at the discretion of our Board and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our Board may deem relevant. In addition, our ability to pay dividends is, and may be, limited by covenants of existing and any future outstanding indebtedness we or our subsidiaries incur. Therefore, any return on investment in our common shares is solely dependent upon the appreciation of the price of our common shares on the open market, which may not occur. See "Dividend Policy" for more detail.

If securities or industry analysts do not publish research or publish unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. Securities and industry analysts do not currently, and may never, publish research on our company. If no securities or industry analysts commence coverage of our company, the trading price of our shares would likely be negatively impacted. In the event securities or industry analysts initiated coverage, if one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline. Moreover, if our operating results do not meet the expectations of the investor community, or one or more of the analysts who cover our company downgrades our shares or publishes unfavorable research about our business, our share price could decline.

Our articles, bylaws and certain Canadian legislation contain provisions that may have the effect of delaying or preventing a change in control.

Certain provisions of our articles of incorporation and bylaws, together or separately, could discourage potential acquisition proposals, delay or prevent a change in control and limit the price that certain investors may be willing to pay for our common shares. The articles of incorporation to

be effective upon the completion of this offering authorize our board of directors to issue an unlimited number of preferred shares, which are commonly referred to as "blank check" preferred shares and, therefore, our board of directors may designate and create the preferred shares as shares of any series and determine the respective rights and restrictions of any such series. The rights of the holders of our common shares will be subject to, and may be adversely affected by, the rights of the holders of any preferred shares that may be issued in the future. The issuance of preferred shares could delay, deter or prevent a change in control and could adversely affect the voting power or economic value of the common shares.

In addition, our bylaws to be effective upon the completion of this offering contain provisions that establish certain advance notice procedures for nomination of candidates for election as directors and for shareholder proposals to be considered at shareholders' meetings.

The Investment Canada Act requires that a "non-Canadian," as defined therein, file an application for review with the Minister responsible for the Investment Canada Act and obtain approval of the Minister prior to acquiring control of a Canadian business, where prescribed financial thresholds are exceeded. Otherwise, there are no limitations either under the laws of Canada or in our articles on the rights of non-Canadians to hold or vote our common shares.

Any of these provisions may discourage a potential acquirer from proposing or completing a transaction that may have otherwise presented a premium to our shareholders.

Because we are a federally incorporated Canadian corporation and the majority of our directors and officers are resident in Canada, it may be difficult for investors in the United States to enforce civil liabilities against us based solely upon the federal securities laws of the United States.

We are a federally incorporated Canadian corporation with our principal place of business in Canada. A majority of our directors and officers and the auditors named herein are residents of Canada and all or a substantial portion of our assets and those of such persons are located outside the United States. Consequently, it may be difficult for U.S. investors to effect service of process within the United States upon us or our directors or officers or such auditors who are not residents of the United States, or to realize in the United States upon judgments of courts of the United States predicated upon civil liabilities under the Securities Act. Investors should not assume that Canadian courts: (1) would enforce judgments of U.S. courts obtained in actions against us or such persons predicated upon the civil liability provisions of the U.S. federal securities laws or the securities or "blue sky" laws of any state within the United States or (2) would enforce, in original actions, liabilities against us or such persons predicated upon the U.S. federal securities laws or any such state securities or blue sky laws.

As a foreign private issuer, we are not subject to certain U.S. securities law disclosure requirements that apply to a domestic U.S. issuer, which may limit the information publicly available to our shareholders.

As a foreign private issuer we are not required to comply with all the periodic disclosure and current reporting requirements of the Exchange Act and therefore there may be less publicly available information about us than if we were a U.S. domestic issuer. For example, we are not subject to the proxy rules in the United States and disclosure with respect to our annual meetings will be governed by Canadian requirements. In addition, our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules thereunder. Therefore, our shareholders may not know on a timely basis when our officers, directors and principal shareholders purchase or sell our shares.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.

As discussed above, we are a foreign private issuer, and therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act. The determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter, and, accordingly, the next determination will be made with respect to us on July 25, 2015. We would lose our foreign private issuer status if, for example, more than 50% of our common shares is directly or indirectly held by residents of the United States on July 25, 2015 and we fail to meet additional requirements necessary to maintain our foreign private issuer status. If we lose our foreign private issuer status on this date, we will be required to file with the SEC periodic reports and registration statements on U.S. domestic issuer forms beginning on January 30, 2016, which are more detailed and extensive than the forms available to a foreign private issuer. We will also have to mandatorily comply with U.S. federal proxy requirements, and our officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. In addition, we will lose our ability to rely upon exemptions from certain corporate governance requirements under the listing rules of . As a U.S. listed public company that is not a foreign private issuer, we will incur significant additional legal, accounting and other expenses that we will not incur as a foreign private issuer, and accounting, reporting and other expenses in order to maintain a listing on a U.S. securities exchange. These expenses will relate to, among other things, the obligation to present financial information according to IFRS and according to U.S. GAAP in the United States.

There could be adverse tax consequence for our shareholders in the United States if we are a passive foreign investment company.

Under United States federal income tax laws, if a company is, or for any past period was, a passive foreign investment company, or PFIC, it could have adverse United States federal income tax consequences to U.S. shareholders even if the company is no longer a PFIC. The determination of whether we are a PFIC is a factual determination made annually based on all the facts and circumstances and thus is subject to change, and the principles and methodology used in determining whether a company is a PFIC are subject to interpretation. While we do not believe that we currently are or have been a PFIC, we cannot assure you that we will not be a PFIC in the future. United States purchasers of our common shares are urged to consult their tax advisors concerning United States federal income tax consequences of holding our common shares if we are considered to be a PFIC. See the discussion in "Material United States Federal Income Tax Considerations for U.S. Holders."

If we are a PFIC, U.S. holders would be subject to adverse U.S. federal income tax consequences, such as ineligibility for any preferred tax rates on capital gains or on actual or deemed dividends, interest charges on certain taxes treated as deferred, and additional reporting requirements under U.S. federal income tax laws or regulations. Whether or not U.S. holders make a timely qualified electing fund, or QEF, election or mark-to-market election may affect the U.S. federal income tax consequences to U.S. holders with respect to the acquisition, ownership and disposition of our common shares and any distributions such U.S. holders may receive. Investors should consult their own tax advisors regarding all aspects of the application of the PFIC rules to our common shares.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on our current beliefs, expectations or assumptions regarding the future of our business, future plans and strategies, our operational results and other future conditions. Forward-looking statements can be identified by words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "seek," "target," "potential," "will," "would," "could," "should," "continue," "contemplate" and other similar expressions, although not all forward-looking statements contain these identifying words. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this prospectus and include statements regarding our intentions, beliefs or current expectation concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described in the "Risk Factors" section of this prospectus, which include, but are not limited to, the following:

- Our ability to successfully implement our growth strategy;
- Our limited operating experience and limited brand recognition in the United States;
- Significant competition within our industry;
- Our ability to generate sufficient cash flow to meet our growth expectations;
- The possibility that our expanded store base may not be as profitable as our existing store base;
- The effect of a decrease in customer traffic to the shopping malls, centers and street locations where our stores are located;
- Our ability to attract and retain employees that embody our culture, including Tea Guides and store and district managers and regional directors;
- Changes in consumer preferences and economic conditions affecting disposable income;
- Our ability to source, develop and market new varieties of tea, tea accessories and other tea-related merchandise;
- Our reliance upon the continued retention of key personnel;
- The impact from real or perceived quality or safety issues with our teas, tea accessories and other tea-related merchandise;
- Our ability to obtain quality products from third-party manufacturers and suppliers on a timely basis or in sufficient quantities;
- The impact of weather conditions, natural disasters and manmade disasters on the supply and price of tea;
- Actual or attempted breaches of data security;
- The impact of a regional, national or global health epidemic;
- The costs of protecting and enforcing our intellectual property rights and defending against intellectual property claims brought by others;

- Fluctuations in exchange rates; and
- The seasonality of our business.

These factors should not be construed as exhaustive and should be read with the other cautionary statements in this prospectus.

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this prospectus. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement that we make in this prospectus speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

EXCHANGE RATE INFORMATION

The following table sets forth, for each period indicated, the high and low exchange rate for U.S. dollars expressed in Canadian dollars, and the average exchange rate for the periods indicated. Averages for year-end periods are calculated by using the exchange rates on the last day of each full month during the relevant period and the last available exchange rate in January during the relevant fiscal year. These rates are based on the noon buying rate certified for custom purposes by the U.S. Federal Reserve Bank of New York set forth in the H.10 statistical release of the Federal Reserve Board.

On December 12, 2014, the noon buying rate was US\$1.00 = \$1.1538.

Year Ended	Period End	Period Average Rate	High Rate	Low Rate
January 30, 2010	\$ 1.0652	\$ 1.1230	\$ 1.0260	\$ 1.2995
January 29, 2011	\$ 0.9989	\$ 1.0297	\$ 0.9864	\$ 1.0776
January 28, 2012	\$ 1.0014	\$ 0.9858	\$ 0.9448	\$ 1.0605
January 26, 2013	\$ 1.0078	\$ 0.9996	\$ 0.9710	\$ 1.0417
January 25, 2014	\$ 1.1063	\$ 1.0436	\$ 0.9959	\$ 1.1128
<i>Last Six Months</i>				
June 2014	\$ 1.0676	\$ 1.0830	\$ 1.0676	\$ 1.0937
July 2014	\$ 1.0889	\$ 1.0739	\$ 1.0633	\$ 1.0908
August 2014	\$ 1.0858	\$ 1.0926	\$ 1.0857	\$ 1.0982
September 2014	\$ 1.1207	\$ 1.1011	\$ 1.0862	\$ 1.1207
October 2014	\$ 1.1272	\$ 1.1212	\$ 1.1135	\$ 1.1291
November 2014	\$ 1.1426	\$ 1.1325	\$ 1.1236	\$ 1.1426
<i>Thirty-nine Weeks Ended October 25, 2014</i>	\$ 1.1211	\$ 1.0977	\$ 1.0633	\$ 1.1291

USE OF PROCEEDS

We estimate that the net proceeds to us from our issuance and sale of _____ common shares in this offering will be approximately US\$ _____ million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. This estimate assumes an initial public offering price of US\$ _____ per share, the midpoint of the price range set forth on the cover page of this prospectus. We will not receive any of the proceeds from the sale of common shares by the selling shareholders.

A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$ _____ per share would increase (decrease) the net proceeds to us from this offering by US\$ _____ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us.

We intend to use the net proceeds of this offering to repay the full amount outstanding under our term loan agreement with Rainy Day, which we refer to as the Shareholder Loan, and for working capital and general corporate purposes. The Shareholder Loan bears an interest rate of 4.5% per annum on the daily unpaid balance of the outstanding loan. As of December 15, 2014, the principal outstanding on the Shareholder Loan was approximately \$2.9 million. The principal is due in three equal annual installments, with one payment being due on each of the three dates on which we make annual redemption payments on our Series A Preferred Shares, which may not occur earlier than April 3, 2017. If the Series A Preferred Shares are not redeemed before April 3, 2020, the principal on the loan is due in three annual installments beginning on April 3, 2020.

We expect to use the balance of the net proceeds of this offering for working capital and other general corporate purposes. The amounts and timing of our actual expenditures will depend on numerous factors, including that rate at which we expand our store base, our operating costs and expenditures and the amount of cash generated by our operations.

For additional information regarding the Shareholder Loan, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" and "Related Party Transactions — Shareholder Loan."

DIVIDEND POLICY

We have never declared or paid regular cash dividends on our common shares. We currently expect to retain all future earnings for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition, and contractual restrictions, including restrictions contained in any agreements governing any indebtedness we may incur.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of October 25, 2014:

- on an actual basis;
- on a pro forma basis to reflect (i) the repayment of all amounts outstanding under our loan with HSBC Bank Canada, and Investissement Québec, as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" and (ii) the automatic conversion of all of our outstanding series of preferred shares, as well as the automatic exchange of all of our Class AA Common Shares, into common shares upon the completion of this offering; and
- on a pro forma as adjusted basis to reflect the issuance of common shares in this offering and the application of net proceeds from this offering described under "Use of Proceeds."

The information below is illustrative only, and assumes an initial public offering price at the midpoint of the price range set forth on the cover page of this prospectus. Our capitalization following this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing, including the amount by which actual offering expenses are higher or lower than estimated. The table should be read in conjunction with the information contained in "Use of Proceeds," "Selected Consolidated Financial Data" and "Management's

Discussion and Analysis of Financial Condition and Results of Operations," as well as our consolidated financial statements and the related notes included elsewhere in this prospectus.

	As of October 25, 2014		
	Actual	Pro Forma	Pro Forma As Adjusted(1)
	(in thousands, except share information)		
Cash and cash equivalents(2)	<u>\$ 2,001</u>	<u>\$</u>	<u>\$</u>
Long term debt:			
Loan from the controlling shareholder	3,993		
Other indebtedness	<u>11,648</u>	<u></u>	<u></u>
Total indebtedness	<u>15,641</u>		
Series A and A-1 Preferred Shares(3)	34,880		
Equity:			
Junior Preferred Shares, no par value; 7,441,341 shares authorized, issued and outstanding on an actual basis; no shares issued and outstanding on a pro forma basis	—		
Class AA Common Shares, no par value; 2,000,000 shares authorized, 50,000 shares issued and outstanding on an actual basis; no shares issued and outstanding on a pro forma basis; no shares issued and outstanding on a pro forma as adjusted basis	345		
Common shares, no par value; unlimited shares authorized, 32,514 shares issued and outstanding on an actual basis; no shares issued and outstanding on a pro forma basis; no shares issued and outstanding on a pro forma as adjusted basis	40		
Contributed surplus	1,042		
Accumulated deficit	(8,356)		
Accumulated other comprehensive income	947		
Total shareholder's equity(2)	<u>(5,982)</u>	<u></u>	<u></u>
Total capitalization	<u>\$ 44,539</u>	<u>\$</u>	<u>\$</u>

- (1) Net proceeds to us from this offering have been translated for convenience only using the noon buying rate for Canadian dollars in New York City, as certified for customs purposes by the Federal Reserve Bank of New York on _____ of \$1.00=US\$ _____.
- (2) A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$ _____ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the pro forma as adjusted amount of each of cash and cash equivalents and total shareholders' equity by approximately \$ _____, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.
- (3) Includes embedded derivative relating to the conversion of our Series A and A-1 Preferred Shares. For a description see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Conversion Feature of our Preferred Shares."

DILUTION

If you invest in our common shares in this offering, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common shares in this offering and the pro forma as adjusted net tangible book value per share of our common shares after this offering.

As of _____, 2015, we had a net tangible book value of \$ _____ million, or \$ _____ per common share, taking into account the expected exchange of our outstanding Class AA Common Shares and the conversion of our outstanding Junior Preferred Shares, Series A Preferred Shares, Series A-1 Preferred Shares and Series A-2 Preferred Shares into _____ common shares upon the completion of this offering. We calculate net tangible book value per share of our common shares by dividing the net tangible book value by the number of outstanding fully diluted common shares.

After giving effect to the receipt of the estimated net proceeds from our sale of shares in this offering, assuming an initial public offering price of US\$ _____ per share (the midpoint of the price range shown on the cover of this prospectus), and the application of the estimated net proceeds therefrom as described under "Use of Proceeds," our pro forma as adjusted net tangible book value at _____, 2015 would have been approximately \$ _____, or \$ _____ per share. This represents an immediate increase in net tangible book value per share of \$ _____ to existing shareholders and an immediate dilution in net tangible book value per share of \$ _____ to you, or _____. The following table illustrates this dilution per share.

	\$	US\$
Assumed initial public offering price per share(1)	\$	\$
Net tangible book value per share as of _____, 2015(1)	\$	\$
Increase in net tangible book value per share attributable to new investors(1)	\$	\$
Pro forma as adjusted net tangible book value per share after this offering(1)	\$	\$
Dilution per share to new investors(1)	\$	\$

(1) Translated for convenience only using the noon buying rate for Canadian dollars in New York City, as certified for customs purposes by the Federal Reserve Bank of New York, on _____ of \$1.00=US\$ _____.

A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$ _____ per share of our common shares would increase (decrease) our pro forma net tangible book value after giving effect to the offering by \$ _____, assuming no change to the number of our common shares offered by us as set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated expenses payable by us.

The following table sets forth, as of _____, 2015, the number of common shares purchased from us, the total consideration paid to us and the average price per share paid by existing shareholders (after giving effect to the exchange of our outstanding Class AA Common Shares and the conversion of our outstanding Junior Preferred Shares, Series A Preferred Shares, Series A-1 Preferred Shares and Series A-2 Preferred Shares into _____ common shares) and to be paid

by new investors purchasing common shares in this offering, before deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares purchased		Total consideration		Average price per share
	Number	Percent	Amount	Percent	
Existing shareholders			%%\$		%%\$
New investors					
Total		100%	\$	100%	\$

If the underwriters were to fully exercise their option to purchase additional common shares from the selling shareholders, the percentage of our common shares held by existing shareholders would be %, and the percentage of our common shares held by new investors would be %.

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth our selected historical consolidated financial data as of the dates and for the periods indicated. The selected consolidated historical financial data as of January 26, 2013, January 25, 2014 and for the years ended January 26, 2013 and January 25, 2014 presented in this table has been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated historical financial data as of October 25, 2014 and for the thirty-nine weeks ended October 26, 2013 and October 25, 2014 has been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. Historical results are not necessarily indicative of the results to be expected for future periods, and operating results for the thirty-nine weeks ended October 25, 2014 are not necessarily indicative of the results that may be expected for the year ended January 31, 2015. Our financial statements have been prepared in accordance with IFRS, as issued by the IASB.

This selected historical consolidated financial data should be read in conjunction with the disclosures set forth under "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus.

	For the thirty-nine weeks ended		For the year ended	
	October 25, 2014	October 26, 2013	January 25, 2014	January 26, 2013
	(unaudited)	(unaudited)		
(in thousands, except share information)				
Consolidated statement of loss data:				
Sales	\$ 80,115	\$ 61,514	\$ 108,169	\$ 73,058
Cost of sales	37,335	28,816	48,403	32,177
Gross profit	42,780	32,698	59,766	40,881
Selling, general and administration expenses	44,289	34,708	52,369	37,338
Results from operating activities	(1,509)	(2,010)	7,397	3,543
Finance costs	1,738	1,331	1,967	1,829
Finance income	(114)	(26)	(45)	—
Accretion of preferred shares	754	384	514	416
(Gain)/Loss from embedded derivative on Series A and A-1 preferred shares	(1,640)	3,511	2,302	3,960
IPO related costs	35	—	—	—
Settlement cost related to former option holder	520	—	—	—
Income (loss) before income taxes	(2,802)	(7,210)	2,659	(2,662)
Provision for income tax	727	732	3,067	1,692
Net loss	<u>\$ (3,529)</u>	<u>\$ (7,942)</u>	<u>\$ (408)</u>	<u>\$ (4,354)</u>
Weighted average number of shares outstanding	7,474,996	7,541,341	7,541,341	7,617,784
Loss per share:				
Basic and fully diluted	(0.47)	(1.05)	(0.05)	(0.57)
Consolidated balance sheet data (at period end):				
Cash and cash equivalents	\$ 2,001		\$ 15,350	\$ 7,644
Total assets	63,775		61,946	49,854
Long-term debt, including current portion	11,648		14,059	10,920
Shareholder Loan	3,993		8,690	8,690
Series A and A-1 Preferred Shares	26,434		18,449	17,009
Financial derivative liability embedded in preferred shares — Series A and A-1	8,446		8,268	5,966
Total liabilities	69,757		65,497	53,686
Shareholders' equity (deficit)	(5,982)		(3,551)	(3,832)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with "Selected Consolidated Financial Data" and our audited and unaudited financial statements and the related notes appearing elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should read the "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" sections of this prospectus for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. The terms "Company," "DAVIDsTEA," "we," "our" or "us" as used herein refer to DAVIDsTEA Inc. and its consolidated subsidiaries unless otherwise stated or indicated by context.

Overview

We are one of the fastest growing branded beverage companies in North America, offering a differentiated selection of proprietary loose-leaf teas and tea related gifts and accessories through over 150 DAVIDsTEA stores and our website, davidstea.com. We are building a brand that seeks to expand the definition of tea with innovative products that consumers can explore in an open and inviting retail environment. The passion for and knowledge of tea permeates our culture and is rooted in an excitement to explore the taste, health and lifestyle elements of tea. We design our stores with a modern and simple aesthetic that, coupled with our teal-colored logo, create an inviting atmosphere and stand in stark contrast to common perceptions of tea as a more traditional product. We strive to make tea a multi-sensory experience by facilitating interaction with our products through education and sampling so that our customers appreciate the compelling attributes of loose-leaf teas as well as the ease of preparation. Our in store "Tea Guides" help novice and experienced tea drinkers alike select from the approximately 150 varieties of premium loose-leaf teas and tea blends featured on our "Tea Wall," which is the focal point of our stores. We replicate our store experience online by engaging users with rich content that allows them to easily explore their options amongst our many tea and tea-related offerings.

We sell our products exclusively through our retail and online channels, giving us control of the presentation of our brand as well as greater interaction with the customer, which increases our pace of innovation. We have a dedicated and highly experienced product development team that is constantly creating new tea blends using high-quality ingredients from around the world. By continually offering new products and refining our blending techniques to enhance existing teas, we believe we bring new customers into the category and drive the frequency of visits to our stores and website among existing customers. We bring newness and capitalize on our product development capabilities with approximately 30 new blends each year that we rotate into our offering on a continuous basis. We also focus on product innovation in our accessories, providing our customers with fun, inventive and more convenient ways to enjoy tea. We believe that our product development platform and level of innovation have helped us earn a strong and loyal customer following that is passionate about DAVIDsTEA.

Performance and Growth Factors Outlook

During fiscal 2013, we grew our sales from \$73.1 million to \$108.2 million, representing growth of 48.1% over the prior year. We added 19 net new stores, increasing our store base from 105 to 124 stores, representing growth of 18.0%. Our Adjusted EBITDA grew from \$7.0 million to \$13.6 million, an increase of 94.9%, and we improved our Adjusted EBITDA margin from 9.5% to 12.5%. Our cash flow from operating activity grew from \$0.2 million to \$14.2 million, driven by

increased operating earnings and effective working capital management. We believe we can continue to deliver strong total sales growth driven by adding new stores and achieving positive comparable store sales, which includes sales on our e-commerce site. Continuing growth on our e-commerce site leads us to believe that there is potential for our direct to consumer sales to become an increasingly larger part of our business. To support this growth, we plan to continue to commit significant resources to further developing this channel. We also believe that our strong focus on operating efficiencies and leveraging our fixed costs will result in expansion of our Adjusted EBITDA margin.

General economic conditions and consumer spending are two of the largest variables impacting our future performance. These variables impact the sales at our individual store locations as well as our e-commerce site. Our ability to increase our sales in future fiscal periods will depend, among other things, on our ability to:

- Select new prime retail locations;
- Increase comparable store sales, which includes sales through our e-commerce site; and
- Manage our costs of goods sold and selling, general and administration expenses.

How we assess our performance

The key measures we use to evaluate the performance of our business and the execution of our strategy are set forth below:

Sales. Sales consist of sales from stores and e-commerce sales. Our business is seasonal and, as a result, our sales fluctuate from quarter to quarter. Sales are traditionally highest in the fourth fiscal quarter, which includes the holiday sales period, and tend to be lowest in the second and third fiscal quarter because of lower customer traffic in our locations in the summer months.

The specialty retail industry is cyclical, and our sales are affected by general economic conditions. Purchases of our products can be impacted by a number of factors that influence the level of consumer spending, including economic conditions and the level of disposable consumer income, consumer debt, interest rates and consumer confidence.

Comparable Sales. Comparable sales refers to year-over-year comparison information for comparable stores and e-commerce. Our stores are added to the comparable sales calculation in the beginning of their thirteenth month of operation. As a result, data in this prospectus regarding comparable sales may not be comparable to similarly titled data from other retailers.

Measuring the change in year-over-year comparable sales allows us to evaluate how our business is performing. Various factors affect comparable sales, including:

- our ability to anticipate and respond effectively to consumer preference, buying and economic trends;
- our ability to provide a product offering that generates new and repeat visits to our stores and online;
- the customer experience we provide in our stores and online;
- the level of customer traffic near our locations in which we operate;
- the number of customer transactions and average ticket in our stores and online;
- the pricing of our tea, tea-related merchandise and beverages;
- our ability to obtain and distribute product efficiently;

- our opening of new stores in the vicinity of our existing stores; and
- the opening or closing of competitor stores in the vicinity of our stores.

Non-Comparable Sales. Non-comparable sales include sales from stores prior to the beginning of their thirteenth fiscal month of operation. As we pursue our growth strategy, we expect that a significant percentage of our sales will continue to come from non-comparable sales.

Gross Profit. Gross profit is equal to our sales less our cost of sales. Costs of goods sold include product costs, freight costs, store occupancy costs and distribution costs.

Selling, General and Administration Expenses. Selling, general and administration expenses consist of store operating expenses and other general and administration expenses. Store operating expenses consist of all store expenses excluding occupancy related costs (which are included in costs of sales). General and administration costs consist of salaries and other payroll costs, travel, professional fees, stock compensation, marketing expenses, information technology and other operating costs.

General and administration costs, which are generally fixed in nature, do not vary proportionally with sales to the same degree as our costs of goods sold. We believe that these costs will decrease as a percentage of sales over time. Accordingly, this expense as a percentage of sales is usually higher in lower volume quarters and lower in higher volume quarters.

Finance Costs. Interest expense consists of cash and imputed non-cash charges related to our credit facility, long term debt, finance lease obligations, the Shareholder Loan, and the preferred shares.

Provision for Income Taxes. Provision for income taxes consist of federal, provincial, state and local current and deferred income taxes.

Adjusted EBITDA. We present Adjusted EBITDA as a supplemental performance measure because we believe it facilitates 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. Specifically, Adjusted EBITDA allows for an assessment of our operating performance and our ability to service or incur indebtedness without the effect of non-cash charges, such as depreciation, amortization, non-cash compensation expense, costs related to onerous contracts, or contracts where we expect the costs of the obligations exceed the economic benefit, and certain non-recurring expenses. This measure also functions as a benchmark to evaluate our operating performance. For a reconciliation to net income see footnote 1 under "Prospectus Summary — Summary Consolidated Financial and Other Data."

Selected Operating and Financial Highlights

Results of Operations

The following table summarizes key components of our results of operations for the period indicated:

(in thousands, except store data)	For the thirty-nine weeks ended		For the year ended	
	October 25, 2014	October 26, 2013	January 25, 2014	January 26, 2013
	(unaudited)	(unaudited)		
Consolidated statement of loss data:				
Sales	\$ 80,115	\$ 61,514	\$ 108,169	\$ 73,058
Cost of sales	37,335	28,816	48,403	32,177
Gross profit	42,780	32,698	59,766	40,881
Selling, general and administration expenses	44,289	34,708	52,369	37,338
Results from operating activities	(1,509)	(2,010)	7,397	3,543
Finance costs	1,738	1,331	1,967	1,829
Finance income	(114)	(26)	(45)	—
Accretion of preferred shares	754	384	514	416
(Gain)/Loss from embedded derivative on Series A and A-1 preferred shares	(1,640)	3,511	2,302	3,960
IPO related costs	35	—	—	—
Settlement cost related to former option holder	520	—	—	—
Income/(loss) before income taxes	(2,802)	(7,210)	2,659	(2,662)
Provision for income tax	727	732	3,067	1,692
Net loss	<u>\$ (3,529)</u>	<u>\$ (7,942)</u>	<u>\$ (408)</u>	<u>\$ (4,354)</u>
Percentage of sales:				
Sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	46.6%	46.8%	44.7%	44.0%
Gross profit	53.4%	53.2%	55.3%	56.0%
Selling, general and administration expenses	55.3%	56.4%	48.4%	51.1%
Results from operating activities	(1.9%)	(3.3%)	6.8%	4.8%
Finance costs	2.2%	2.2%	1.8%	2.5%
Finance income	(0.1%)	0.0%	0.0%	0.0%
Accretion of preferred shares	0.9%	0.6%	0.5%	0.6%
(Gain)/Loss from embedded derivative on Series A and A-1 preferred shares	(2.0%)	5.7%	2.1%	5.4%
IPO related costs	0.0%	0.0%	0.0%	0.0%
Settlement cost related to former option holder	0.6%	0.0%	0.0%	0.0%
Income/(loss) before income taxes	(3.5%)	(11.7%)	2.5%	(3.6%)
Provision for income tax	0.9%	1.2%	2.8%	2.3%
Net loss	(4.4%)	(12.9%)	(0.4%)	(6.0%)
Other financial and operations data (unaudited):				
Adjusted EBITDA	\$ 4,832	\$ 1,499	\$ 13,562	\$ 6,960
Adjusted EBITDA as a percentage of sales	6.0%	2.4%	12.5%	9.5%
Number of stores at end of period	143	120	124	105
Comparable sales growth for period	13.3%	18.4%	17.9%	26.7%

Thirty-Nine Weeks Ended October 25, 2014 Compared to Thirty-Nine Weeks Ended October 26, 2013

Sales. Sales for the thirty-nine weeks ended October 25, 2014 increased 30.2% or \$18.6 million to \$80.1 million from \$61.5 million in the thirty-nine weeks ended October 26, 2013. Comparable store sales increased by 13% and non-comparable sales increased primarily due to an additional 23 stores opened as at the end of October 25, 2014 as compared to October 26, 2013.

Gross Profit. Gross profit increased by 30.8% or \$10.1 million, to \$42.8 million in the thirty-nine weeks ended October 25, 2014 from \$32.7 million in the thirty-nine weeks ended October 26, 2013. Gross profit as a percentage of sales increased to 53.4% in the thirty-nine weeks ended October 25, 2014 from 53.2% in the thirty-nine weeks ended October 26, 2013 due primarily to improved product costs from our vendors partially offset by higher product costs relating to foreign exchange rates.

Selling, General and Administration Expenses. Selling, general and administration expenses increased by 27.6%, or \$9.6 million, to \$44.3 million in the thirty-nine weeks ended October 25, 2014 from \$34.7 million in the thirty-nine weeks ended October 26, 2013 due primarily to the operations of 143 stores as of October 25, 2014 as compared to 120 stores as of October 26, 2013 as well as the hiring of additional staff in stores and our store support center to support our growth. As a percentage of sales, selling, general and administration expenses decreased to 55.3% in the thirty-nine weeks ended October 25, 2014 from 56.4% in the thirty-nine weeks ended October 26, 2013 due primarily to leveraging our store labor costs. Excluding the impact of charges relating to impairment and onerous contracts, selling, general and administration expenses increased 22.9%, to \$42.5 million in the thirty-nine weeks ended October 25, 2014 from \$34.6 million in the thirty-nine weeks ended October 26, 2013. As a percentage of sales, selling, general and administration expenses excluding the impact of these charges decreased to 53.0% from 56.2%.

Finance Costs. Finance costs increased by \$0.4 million or 30.6%, to \$1.7 million in the thirty-nine weeks ended October 25, 2014 from \$1.3 million in the thirty-nine weeks ended October 26, 2013 as a result of borrowings under our revolving credit facility resulting from the need for additional capital expenditures in connection with our store openings and related infrastructure and working capital to support sales growth.

Provision for Income Taxes. Provision for income taxes of \$0.7 million, in the thirty-nine weeks ended October 25, 2014 was consistent with the thirty-nine weeks ended October 26, 2013. Our effective taxes rates were (25.9%) and (10.2%) in the thirty-nine weeks ended October 25, 2014 and October 26, 2013, respectively. The effective tax rate decreased primarily as a result of unrecognized benefits of U.S. tax losses and permanent differences relating to the loss from embedded derivative and accretion relating to our preferred shares. Our income tax rate has been historically affected by the fact that we cannot apply tax losses in the United States against taxable income in Canada.

Fiscal Year Ended January 25, 2014 Compared to Fiscal Year Ended January 26, 2013

Sales. Sales for fiscal 2014 increased 48.1% or \$35.1 million to \$108.2 million from \$73.1 million in fiscal 2012. Comparable store sales increased by 18% and non-comparable sales increased primarily due to an additional 19 stores opened as at the end of fiscal 2013 as compared to fiscal 2012.

Gross Profit. Gross profit increased by 46.2% or \$18.9 million, to \$59.8 million in fiscal 2013 from \$40.9 million in fiscal 2012. Gross profit as a percentage of sales decreased to 55.3% in fiscal 2013 from 56.0% in fiscal 2012 due to changes in product mix and higher product costs relating to foreign exchange rates.

Selling, General and Administration Expenses. Selling, general and administration expenses increased by 40.3%, or \$15.0 million, to \$52.4 million in fiscal 2013 from \$37.3 million in fiscal 2012 due primarily to the operations of 124 stores as of January 25, 2014 as compared to 105 stores as of January 26, 2013 as well as the hiring of additional staff to support the growth of the Company. As a percentage of sales, selling, general and administration expenses decreased to 48.4% in fiscal 2013 from 51.1% in fiscal 2012 due primarily to the leveraging of store labor and administration

expenses. Excluding the impact of charges relating to impairment and onerous contracts, selling, general and administration expenses increased 37.3%, to \$51.2 million in fiscal 2013 from \$37.3 million in fiscal 2012. As a percentage of sales, selling, general and administration expenses excluding the impact of these charges decreased to 47.3% from 51.1%.

Finance Costs. Finance costs increased by \$0.2 million or 7.5%, to \$2.0 million in fiscal 2013 from \$1.8 million in fiscal 2012 as a result of borrowings under our revolving credit facility resulting from the need for capital expenditures in connection with our store openings and related infrastructure and working capital to support sales growth.

Provision for Income Taxes. Provision for income taxes increased by 81.3%, or \$1.4 million, to \$3.1 million in fiscal 2013 from \$1.7 million in fiscal 2012. The increase in the provision for income taxes was due primarily to the \$5.3 million increase in our earnings before income taxes. Our effective taxes rates were 115.3% and (63.6%) in fiscal 2013 and 2012, respectively. The effective tax rate increased primarily as a result of unrecognized benefits of U.S. tax losses and permanent differences relating to the loss from embedded derivative and accretion relating to our preferred shares. Our income tax rate has been historically affected by the fact that we cannot apply tax losses in the United States against taxable income in Canada.

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operations and borrowings under our credit facilities. Our primary cash needs are for capital expenditures related to new stores and working capital.

Capital expenditures typically vary depending on the timing of new stores openings and infrastructure-related investments. During fiscal 2015, we plan to spend approximately \$13.0-\$16.0 million on capital expenditures. We expect to devote approximately 80-90% of our capital budget to construct, lease and open 25-30 stores in Canada and 10-15 stores in the United States and renovate a number of existing stores, with the remainder of the capital expenditure to make continued investment in our infrastructure.

Our primary working capital requirements are for the purchase of store inventory and payment of payroll, rent and other store operating costs. 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. Historically, we have funded our capital expenditures and working capital requirements during the fiscal year with borrowings under our long-term debt and finance lease facilities and revolving credit facility. The revolving credit facility has typically been paid down at the end of the fiscal year with cash generated during our peak selling season in the fourth quarter. Our utilization of our revolving credit facility, and therefore the amount of indebtedness outstanding under it, has tended to be highest in the beginning of the fourth quarter of each fiscal year.

We believe that our cash position, net cash provided by operating activities and availability under our revolving credit facility and capital lease facility, together with the proceeds from this offering, will be adequate to finance our planned capital expenditures and working capital requirements for the foreseeable future.

Cash Flow

A summary of our cash flows from operating, investing and financing activities is presented in the following table:

(in thousands)	For the thirty-nine weeks ended		For the year ended	
	October 25, 2014	October 26, 2013	January 25, 2014	January 26, 2013
	(unaudited)	(unaudited)		
Cash flows provided by (used in):				
Operating activities	\$ (4,958)	\$ (3,020)	\$ 14,178	\$ 166
Investing activities	(9,403)	(5,074)	(8,734)	(13,409)
Financing activities	1,012	1,849	2,262	17,869
Increases (decreases) in cash and cash equivalents	\$ (13,349)	\$ (6,245)	\$ 7,706	\$ 4,626

Cash Flows Related to Operating Activities

(in thousands)	For the thirty-nine weeks ended		For the year ended	
	October 25, 2014	October 26, 2013	January 25, 2014	January 26, 2013
	(unaudited)	(unaudited)		
Cash flows from operating activities:				
Net loss	\$ (3,529)	\$ (7,942)	\$ (408)	\$ (4,354)
Depreciation of property and equipment	3,500	2,719	3,801	2,579
Amortization of intangible assets	434	448	944	601
Amortization of financing fees	128	71	114	77
Impairment of property and equipment	1,301	156	1,192	—
Provision for onerous contracts	529	—	—	—
Accretion of Preferred Shares	754	384	514	416
Net change in fair value of financial derivative liability	(1,640)	3,511	2,302	3,960
Stock-based compensation expense	577	186	228	237
Settlement cost related to former option holder	345	—	—	—
Deferred income taxes	35	120	102	(98)
Net change in other non-cash working capital balances related to operations	(7,392)	(2,673)	5,389	(3,252)
Cash flows related to operating activities	<u>\$ (4,958)</u>	<u>\$ (3,020)</u>	<u>\$ 14,178</u>	<u>\$ 166</u>

Net cash used by operating activities increased to \$5.0 million in the thirty-nine weeks ended October 25, 2014 from \$3.0 million in the thirty-nine weeks ended October 26, 2013. The decrease in the cash flows is due primarily to investment in inventories and other net working capital and timing of certain tax payments.

Net cash provided by operating activities increased to \$14.2 million in 2013 from \$0.2 million in 2012. The improvement in the cash flows are due primarily to lower net loss, and improved net working capital as a result of more effective inventory productivity and improved payment terms.

Cash Flows Related to Investing Activities

Capital expenditures increased \$4.3 million, to \$9.4 million in the thirty-nine weeks ended October 25, 2014 from \$5.1 million in the thirty-nine weeks ended October 26, 2013. This increase was due primarily to timing and the number of new store build-outs. We opened 19 new stores in the thirty-nine weeks ended October 25, 2014 compared to 15 new stores in the thirty-nine weeks ended October 26, 2013.

Capital expenditures decreased \$4.7 million, to \$8.7 million in fiscal 2013, from \$13.4 million in fiscal 2012. This decrease was due primarily to the number of new store build-outs. We opened 20 new stores in fiscal 2013 compared to 35 new stores in fiscal 2012.

Cash Flows Related to Financing Activities

(dollars in thousands)	For the thirty-nine weeks ended		For the year ended	
	October 25, 2014 (unaudited)	October 26, 2013 (unaudited)	January 25, 2014	January 26, 2013
Cash flows from financing activities:				
Proceeds of capital lease obligations	—	—	970	—
Repayment of capital lease obligations	(234)	(1,518)	(1,623)	(783)
Proceeds (repayment) of operating loan	—	(507)	(507)	507
Proceeds of long-term debt	—	5,000	14,000	16,116
Repayment of long-term debt	(2,220)	(1,027)	(10,014)	(8,311)
Share issuance of Class AA common shares and common shares	40	—	—	—
Share issuance of Series A and A-1 preferred shares	3,563	—	—	11,000
Financing fees	(137)	(99)	(214)	(660)
Repurchase of Class AA common shares	—	—	(350)	—
Cash flows related to finance activities	1,012	1,849	2,262	17,869

Cash flows from financing activities consist primarily of borrowing and payments on our term facilities and its related financing costs and proceeds from share issuances.

Net cash provided by financing activities decreased by \$0.8 million to \$1.0 million in the thirty-nine weeks ended October 25, 2014 from \$1.8 million in the thirty-nine weeks ended October 26, 2013 due primarily to an \$4.2 reduction in net proceeds from long-term debt and other bank financing which was offset by proceeds from share issuance of Series A-1 preferred shares in the thirty-nine weeks ended October 25, 2014.

Net cash provided by financing activities decreased by \$15.6 million to \$2.3 million in fiscal 2013 from \$17.9 million in fiscal 2012 due to the share issuances in 2012 and a \$4.7 million reduction in amounts outstanding under our long term credit arrangements in fiscal 2013.

Credit Facility with HSBC Bank Canada

On August 19, 2013, we entered into a credit facility with HSBC Bank Canada, or HSBC. The credit facility provides for a demand revolving loan in the amount of \$5.0 million, increasing to \$10.0 million from September 1 to December 31 of each calendar year, which we refer to as the Operating Loan. The credit facility also provides for a \$9.0 million demand non-revolving loan, which we refer to as the Term Loan, and a \$15.0 million demand revolving leasing facility, which we refer to as the Leasing Facility, the aggregate combined indebtedness of which shall not exceed \$15.0 million. In addition, the credit facility provides us with a \$3.0 million demand revolving line to purchase forward exchange contracts for major currencies identified by HSBC up to an aggregate of \$11.1 million in order to hedge against currency fluctuations in connection with our import purchases and export sales, which we refer to as the Foreign Exchange Loan and an interest rate swap facility in the amount of \$1.0 million, which we refer to as the Swap Facility to allow for up to a 36 month interest rate swap contract to fix the rate of interest payable under the Term Loan or for calculation of lease payments under the Leasing Facility. As of October 25, 2014, no amounts were outstanding on the Operating Loan, \$6.2 million has been drawn from the Term Loan and \$0.6 million has been drawn from the Leasing Facility. As of October 25, 2014, no amounts were outstanding under the Foreign Exchange Loan or the Swap Facility.

The credit facility subjects us to certain coverage ratios. Without the prior written consent of HSBC, our fixed charge coverage ratio may not be less than 1.10:1.00 and our ratio of current assets to current liabilities may not be less than 1.10:1.00. In addition, our debt to net tangible worth ratio may not be less than 2.50:1.00. As of October 25, 2014 and the year ended January 25, 2014, we were in compliance with the restrictive covenants.

Borrowings under the Operating Loan are available in the form of Canadian dollar advances, U.S. dollar advances, banker's acceptances and LIBOR loans and \$500,000 is available by way of letters of credit or letters of guarantees. The Operating Loan bears interest, at our option, at (a) the bank's prime rate plus 0.75% per annum, (b) the bank's U.S. base rate plus 0.75% per annum or (c) LIBOR plus 2.00% per annum, subject to availability. The Term Loan is available by way of banker's acceptances, U.S. dollar advances and LIBOR loans and bears interest, at our option, at (a) the bank's prime rate plus 1.00% per annum, (b) the bank's U.S. base rate plus 1.00% per annum or (c) LIBOR plus 2.50% per annum, subject to availability. The Leasing Facility is available by way of capital leases and bears interest, at our option, at (a) the bank's fixed cost of funds plus 2.65% per annum or (b) LIBOR plus 2.00% per annum, subject to availability. In addition to these interest rates, we must pay an annual review fee and customary letter of credit fees, stamping fees and administration fees.

The credit facility loans are subject to various repayment terms. The Operating Loan is to be repaid on demand by the bank. The Term Loan is to be repaid on demand and unless and until otherwise demanded, interest and principal repayments are to be made based on a 36 month amortization for each advance. The Leasing Facility is repayable by consecutive monthly principal payments based on a maximum amortization of three years and a maximum term of three years. The Foreign Exchange Loan is payable on demand.

The credit facility is guaranteed by DavidsTea (USA) Inc., our wholly owned U.S. subsidiary (the "Guarantor"). In addition, the credit facility is secured by a first lien security interest in all of our assets, including but not limited to accounts receivable, inventory, intellectual property and trademarks in the amount of \$40.0 million, a security agreement over our cash, credit balances and deposit instruments in the amount of \$40.0 million, general security agreements creating a first priority charge on all of our assets, present and future, corporeal and incorporeal, registered in each Canadian province in which we do business and general security agreement over all of the Guarantor's moveable personal property and assets, including debts, accounts, inventory and leasehold improvements of the Guarantor.

The credit facility contains a number of covenants that, among other things and subject to certain exceptions, restrict our ability to become guarantor or endorser or otherwise become liable upon any note or other obligation other than in the normal course of business or repay the loan from our controlling shareholder or repay the loan from Investissement Québec, other than scheduled repayments.

Prior to the completion of this offering, we expect to repay all amounts outstanding under the HSBC loan.

Term Loan with Investissement Québec

We have also entered into a term loan with Investissement Québec, or IQ, in the amount of \$5.0 million that bears an interest rate of prime plus 6.5% and is used to fund leasehold improvements. The loan is repayable in 60 equal monthly installments of \$83,333 each, excluding interest, commencing November 2014, which is one year after the first disbursement of the loan. We can prepay the loan at any time by paying an indemnity equal to three months of interest on the amount prepaid.

The loan is collateralized by a second ranking hypothec over the universality of our assets, in the amount of \$6.0 million. Our subsidiary, DavidsTea (USA) Inc. is also a guarantor of the loan. The loan agreement contains restrictive covenants which require us to maintain a minimum working capital ratio of 1.10:1.00, a maximum debt to adjusted equity ratio of 2.50:1.00 and a fixed cost ratio of 1.10:1.00. As of October 25, 2014, we were in compliance with the restrictive covenants. In addition, the loan requires the consent of IQ to modify our articles of incorporation or our share capital, to enter into a

merger or to declare or pay our dividends, repay our term loan with Rainy Day Investments Ltd., alter our share capital or amend our articles of incorporation, among other restrictions.

Prior to the completion of this offering, we expect to repay all amounts outstanding under the IQ loan.

Term Loan with Rainy Day Investments Ltd.

We have a non-revolving loan in the amount of approximately \$8.7 million with Rainy Day Investments Ltd., which is solely owned by Herschel Segal, one of our co-founders and a director, which we refer to as the Shareholder Loan. The Shareholder Loan bears an interest rate of 4.5% per annum on the daily unpaid balance of the outstanding loan. As of October 25, 2014, the principal outstanding on the Shareholder Loan was approximately \$4.0 million. As of December 15, 2014, after giving effect to the offset amount used to subscribe for our Series A-2 Preferred Shares, the principal outstanding was approximately \$2.9 million. The principal is due in three equal annual installments, with one payment being due on each of the three dates on which we make annual redemption payments of our Series A Preferred Shares, which may not occur earlier than April 3, 2017. If the Series A Preferred Shares are not redeemed before April 3, 2020, the principal on the loan is due in three annual installments beginning on April 3, 2020.

In connection with the completion of this offering, we expect to repay the full amount outstanding under the Shareholder Loan. See "Use of Proceeds."

Conversion Feature of our Preferred Shares

We account for the conversion feature of our preferred shares as an embedded derivative, which feature is a separate right from the right to redeem the preferred shares for cash after April 3, 2017. A conversion of the preferred shares would be satisfied by delivery of common shares at the then-current conversion ratio. As of October 25, 2014, we had an \$8.4 million liability attributable to this embedded derivative, which fluctuates over time based on the embedded value of the conversion feature. Upon any conversion of our preferred shares into common shares, including in connection with this offering, this liability will be converted into equity.

Off-Balance Sheet Arrangements

Other than operating lease obligations, we have no off-balance sheet obligations.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations as of October 25, 2014, and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

(dollars in thousands)	Payments Due By Period			
	Total	less than 1 year	Between 1 and 5 years	More than 5 years
Long-term debt obligations	\$ 11,168	\$ 3,961	\$ 7,207	\$ —
Finance lease obligations	656	342	314	—
Operating lease obligations(1)	106,397	11,285	46,483	48,629
Loan from controlling shareholder	3,993	—	3,993	—
Series A and A-1 redeemable preferred shares(2)	29,114	—	29,114	—
	<u>\$ 151,328</u>	<u>\$ 15,588</u>	<u>\$ 87,111</u>	<u>\$ 48,629</u>

- (1) Operating lease obligations under long-term operating leases is exclusive of certain operating costs for which the Company is responsible. Certain of the operating lease agreements provide for additional rentals based on sales.
- (2) Represents accreted value of Series A and A-1 redeemable preferred shares including dividends payable thereon, which become redeemable at the holders' election after April 3, 2017. Does not give effect to the conversion feature which is accounted for separately as an embedded derivative.

Critical Accounting Policies and Estimates

Our discussion and analysis of operating results and financial condition are based upon our financial statements. The preparation of financial statements requires us to estimate the effect of various matters that are inherently uncertain as of the date of the financial statements. Each of these required estimates varies in regard to the level of judgement involved and its potential impact on our reported financial results. Estimates are deemed critical when a different estimate could have reasonably been used or where changes in the estimates are reasonably likely to occur from period to period, and would materially impact our financial position, changes in financial position or results of operations. Our significant accounting policies are discussed under note 3 to our consolidated financial statements included elsewhere in this prospectus. We believe the following critical accounting policies are affected by significant judgements and estimates used in the preparation of our consolidated financial statements and that the judgements and estimates are reasonable.

Inventory valuation. We may record a write-down to reflect management's best estimate of the net realizable value of inventory, which includes assumptions and estimates for future sell-through of units, selling prices as well as disposal costs, where appropriate, based on historical experience.

Management continually reviews the carrying value of our inventory, to assess whether a write-down is required based on current economic conditions and an assessment of sales trends.

Impairment of non-financial assets. Non-financial assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. A review for impairment is conducted by comparing the carrying amount of the cash generating units', or CGUs', assets with their respective recoverable amounts based on value in use. Value in use is determined based on management's best estimate of expected future cash flows, which includes estimates of growth rates, from use over the remaining lease term and discounted using a pre-tax weighted average cost of capital.

Management is required to make significant judgments in determining if individual commercial premises in which it carries out its activities are individual CGUs, or if these units should be aggregated at a district or regional level to form a CGU. The significant judgments applied by management in determining if stores should be aggregated in a given geographic area to form a CGU include the determination of expected customer behavior and whether customers could interchangeably shop in any of the stores in a given area and whether management views the cash flows of the stores in the group as inter-dependant.

Hybrid financial instruments and embedded derivatives. As part of assessing whether an instrument is a hybrid financial instrument and contains an embedded derivative, significant judgment is required in evaluating whether the host contract is more akin to debt or equity and whether the host contract is clearly and closely related to the underlying of the derivative. In applying its judgment, management relies primarily on the economic characteristics and risks of the instrument as well as the substance of the contractual arrangement. In addition, the fair value evaluation of the embedded financial derivative liability relating to our outstanding preferred stock, which are classified as hybrid financial instruments, is based on numerous assumptions and estimates that may have a significant impact on the amount recognized as a financial derivative liability. The impact of material changes in assumptions and the review of estimates is recognized in profit or loss in the period in which the changes occur or the estimates are reviewed, as required.

Income taxes. We may be subject to audits related to tax risks, and uncertainties exist with respect to the interpretation of tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and

income tax expense already recorded. We establish provisions if required, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the entity and the responsible tax authority, which may arise on a wide variety of issues.

Deferred revenue. We measure the gift card liability and breakage income by estimating the value of gift cards that are not expected to be redeemed by customers. We measure the Frequent Steeper loyalty program liability and income by estimating the fair value of points based on expected future redemption rates and estimated cost per point. To the extent that estimates differ from actual experience, the loyalty program liability could be higher or lower.

Stock-based compensation. We issue equity awards to employees, generally in the form of options to purchase our common shares. We measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the assumptions with respect to the expected life of the option, volatility and dividend yield. Our equity awards are generally subject to service period vesting requirements. Following the consummation of this offering, the exercise prices for employee stock options will be determined based on the quoted market price of our common shares.

We have periodically determined for financial reporting purposes the estimated fair value of our common shares at various dates using contemporaneous valuations performed by independent third party valuation specialists. We generally use the income approach, applying the discounted cash flow method, which was based on our projections and estimated discount rate. We performed these contemporaneous valuations as of June 30, 2012, June 30, 2014 and January 31, 2014. The assumptions underlying these valuations represent management's best estimates, which involve inherent uncertainties and the application of management judgment. As a result, if factors or expected outcomes change and we use significantly different assumptions or estimates, our equity-based compensation could be materially different.

Recently Issued Accounting Standards

There were no new accounting standards implemented during the thirty-nine weeks ended October 25, 2014. As disclosed in Note 30 to the consolidated financial statements, we have elected to adopt IFRS as of January 27, 2013, and the financial statements for the year ended January 25, 2014 are the first we prepared in accordance with IFRS.

IFRS 9, "Financial Instruments", partially replaces the requirements of IAS 39, "Financial Instruments: Recognition and Measurement". This standard is the first step in the project to replace IAS 39. The IASB intends to expand IFRS 9 to add new requirements for the classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting to become a complete replacement of IAS 39. These changes are applicable for annual periods beginning on or after January 1, 2015, with earlier application permitted. We have not yet assessed the future impact of this new standard on its consolidated financial statements.

In May 2014, the IASB issued new standards as follows: IFRS 15, Revenue from Contracts with Customers ("IFRS 15") replaces IAS 11, Construction Contracts, and IAS 18, Revenue, as well as various interpretations regarding revenue. This standard introduces a single model for recognizing revenue that applies to all contracts with customers, except for contracts that are within the scope of standards on leases, insurance and financial instruments. This standard also requires enhanced disclosures. Adoption of IFRS 15 is mandatory and will be effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. We are currently assessing the impact of adopting this standard on our consolidated financial statements and related note disclosures.

JOBS Act Exemptions and Foreign Private Issuer Status

We qualify as an "emerging growth company" as defined in the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. This includes an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act. We may take advantage of this exemption for up to five years or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company if we have US\$1.0 billion or more in annual revenue as of the end of our fiscal year, have more than US\$700.0 million in market value of our common shares held by non-affiliates as of the end of our second fiscal quarter or issue more than US\$1.0 billion of non-convertible debt securities over a three-year period. We may choose to take advantage of some but not all of these reduced burdens.

We will not take advantage of the extended transition period provided under Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Since IFRS standards make no distinction between public and private companies for purposes of compliance with new or revised accounting standards, the requirements for our compliance as a private company and as a public company are the same.

Upon consummation of this offering, we will report under the Exchange Act as a non-U.S. company with foreign private issuer status. Even after we no longer qualify as an emerging growth company, as long as we qualify as a foreign private issuer under the Exchange Act we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time;
- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events; and
- Regulation FD, which regulates selective disclosures of material information by issuers.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk in interest rates on debt and foreign currency on purchases of our teas and tea accessories.

Interest Rate Risk

Our line of credit and term debt carries floating interest rates tied to our lender's prime rate, and therefore, our consolidated statement of earnings and cash flows will be exposed to changes in interest rates.

Foreign Exchange Risk

A significant portion of our tea and tea accessory purchases are in U.S. dollars as is our revenue from U.S. stores and U.S. e-commerce customers as a result, our statement of earnings and cash flows could be adversely impacted by changes in exchange rates. We do not currently hedge foreign currency fluctuations.

BUSINESS

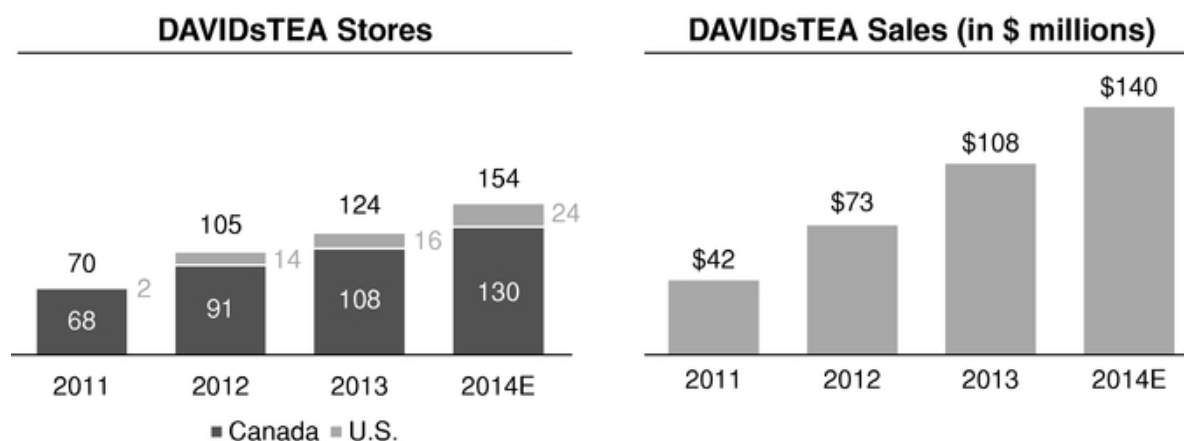
Our Company

We are one of the fastest growing branded beverage companies in North America, offering a differentiated selection of proprietary loose-leaf teas and tea-related gifts and accessories through over 150 DAVIDsTEA stores and our website, davidstea.com. We are building a brand that seeks to expand the definition of tea with innovative products that consumers can explore in an open and inviting retail environment. The passion for and knowledge of tea permeates our culture and is rooted in an excitement to explore the taste, health and lifestyle elements of tea. We design our stores with a modern and simple aesthetic that, coupled with our teal-colored logo, create an inviting atmosphere and stand in stark contrast to common perceptions of tea as a more traditional product. We strive to make tea a multi-sensory experience by facilitating interaction with our products through education and sampling so that our customers appreciate the compelling attributes of loose-leaf teas as well as the ease of preparation. Our in-store "Tea Guides" help novice and experienced tea drinkers alike select from the approximately 150 varieties of premium loose-leaf teas and tea blends featured on our "Tea Wall," which is the focal point of our stores. We replicate our store experience online by engaging users with rich content that allows them to easily explore their options amongst our many tea and tea-related offerings.

We sell our products exclusively through our retail and online channels, giving us control of the presentation of our brand as well as greater interaction with the customer, which increases our pace of innovation. We have a dedicated and highly experienced product development team that is constantly creating new tea blends using high-quality ingredients from around the world. By continually offering new products and refining our blending techniques to enhance existing teas, we believe we bring new customers into the category and drive the frequency of visits to our stores and website among existing customers. We bring newness and capitalize on our product development capabilities with approximately 30 new blends each year that we rotate into our offering on a continuous basis. We also focus on product innovation in our accessories, providing our customers with fun, inventive and more convenient ways to enjoy tea. We believe that our product development platform and level of innovation have helped us earn a strong and loyal customer following that is passionate about DAVIDsTEA.

We were founded in Montréal, Canada by Herschel and David Segal in 2008. They sought to build a brand and company to respond to consumers' increasing focus on health and wellness by leveraging tea's potential health benefits and providing high-quality products. Since opening our first retail store and launching our website (www.davidstea.com) in late 2008, we have poured our love for tea into an active online community with over 3.5 million unique visitors to our website in 2014 and over 150 DAVIDsTEA locations across Canada and the United States. While our stores average approximately 850 square feet, we have significant flexibility to modify our store sizes in order to access the most desirable locations. To date, we have been successful in a variety of markets, including in Montréal, Toronto, Vancouver, Boston and Chicago. The strong performance of our stores across geographies demonstrates the appeal of our brand and underscores our growth opportunity. We believe that there is significant growth opportunity in North America. Consistent with our stores, davidstea.com features our innovative products while offering expertise, community and numerous tools to aid the discovery and exploration of tea. Our e-commerce sales increased to 7.6% of sales for the thirty-nine weeks ended October 25, 2014 from 2.7% of sales in fiscal 2010, and we expect it to continue to grow as consumers discover our brand and as we improve our website. During fiscal 2013, approximately 65% of our revenue was driven by the sale of loose-leaf tea and tea-related gifts that consumers enjoy at home, on-the-go or at work. The balance of our revenue was driven by tea accessories (25%) and food and beverages prepared in our stores (10%).

We believe our business model is based on innovation, quality and the customer experience. These attributes have positioned us to deliver strong financial results, as evidenced by the following:



- The growth of our store base from 70 stores in fiscal 2011 to 124 stores in fiscal 2013, representing a 33% compound annual growth rate. At October 25, 2014, we had a total of 143 stores or approximately 19% more than the same period in fiscal 2013.
- Twenty-one consecutive quarters of positive comparable store sales growth through the third quarter of fiscal 2014. On an annual basis since fiscal 2011, we have reported double-digit comparable store sales growth ranging from 33.6% in fiscal 2011 to 17.9% in fiscal 2013.
- An increase in sales from \$41.9 million in fiscal 2011 to \$108.2 million in fiscal 2013, representing a 60% compound annual growth rate. For the thirty-nine weeks ended October 25, 2014, we reported sales of \$80.1 million or approximately 30% higher than the same period in fiscal 2013.
- Growth of our Adjusted EBITDA from \$4.3 million in fiscal 2011 to \$13.6 million in fiscal 2013, representing a 78% compound annual growth rate. For the thirty-nine weeks ended October 25, 2014, we reported Adjusted EBITDA of \$4.8 million or approximately 222% higher than the same period in fiscal 2013. Our net income was \$0.9 million, \$(4.4 million) and \$(0.4 million) in fiscal 2011, 2012 and 2013.

Our Market Opportunity

We participate in the large and growing global tea market, which had approximately \$40 billion of retail sales in 2013. We believe that the large size and outsized growth of the tea category combined with relatively low tea consumption and sales in North America make our market opportunity highly attractive, especially as consumer awareness of tea in Canada and the United States increases. Specifically, we note:

- The global tea market has grown consistently at a CAGR of approximately 8% over the past five years and the global tea market is forecast to continue to grow consistently at a CAGR of approximately 7% to 8% from 2014 through 2018.
- Canada and the United States represented only 7% of global tea sales in 2013, excluding ready-to-drink tea. Tea consumption in Canada and the United States is much lower than in

most of the rest of the world. We believe the low per capita consumption in North America provides significant runway for growth for our business.

- We believe growth of the overall North American tea market will be driven by a number of underlying consumer trends including the increasing health consciousness of consumers in North America and the versatility of tea as a beverage, which is broader for tea than most other beverages.

Our Competitive Strengths

We believe that the following strengths differentiate us from our competitors and are important to our success:

Modern Brand Reinventing the Tea Experience. Our mission is to make tea fun and accessible. We believe that our brand, passion for tea and breadth of offering, as underscored by the approximately 150 varieties of premium loose-leaf teas and tea blends in our stores, cause customers to see tea as fresh and stylish. The DAVIDsTEA retail experience is led by our Tea Guides, who share our knowledge of tea with our customers through sampling, education and by showing customers that tea is easy to prepare, comes in a variety of great flavors and is suitable for multiple occasions. To reinforce this sense of accessibility, we create fun names for our teas that are designed to highlight the smell, taste profile and other attributes of the product. For example, our "Forever Nuts" blend combines almonds, apple bits, cinnamon bark and hints of beetroot, to invoke the unique nutty flavor suggested by the name. We believe our differentiated approach will continue to lead existing customers to engage with our brand and will attract new customers to both our brand and the category.

Focus on Innovation and Design. We focus on constant innovation to improve the taste and presentation of our existing tea blends while creating new offerings that delight our customers. We currently offer approximately 150 proprietary teas and tea blends, including approximately 30 new teas each year, which are made from high-quality ingredients from around the world. Our product development and sourcing teams work closely together and find inspiration from our suppliers as well as from direct feedback from our customers and Tea Guides, all the while following key consumer trends. Our team has launched over 400 different teas since DAVIDsTEA was founded. We seek to develop creative accessories that are unique and make steeping tea easy at home or on-the-go. We also develop gifts that incorporate our love of tea such as tea-scented candles, tea sachets and tea gift boxes. We believe that our focus on innovation and design keeps existing customers engaged while also attracting new customers to our brand.

Distinct Retail Concept Reinforces Brand and Customer Loyalty. The clean, modern aesthetic of our retail concept communicates the newness and innovation behind our brand. A key element of the DAVIDsTEA in-store experience is our "Tea Wall," a focal point of the store, which displays approximately 150 varieties of premium loose-leaf teas and tea blends. Our Tea Guides help facilitate a highly interactive and immersive customer experience. It is this personable customer interaction combined with the high-quality teas that has allowed us to develop strong customer loyalties. We have very broad customer appeal that spans novice and experienced tea consumers. To capitalize on this growing following, we introduced our "Frequent Steeper" customer loyalty program in April 2014. This loyalty program has rapidly expanded to over a million members currently. Since July 1, 2014, approximately 80% of our sales have come from Frequent Steepers. We believe that our retail concept and our retail experience led by our Tea Guides both reinforce our brand and drive our customer loyalty.

Broad Demographic Appeal Supports Sustainable Long-Term Growth. We believe that our fresh approach to tea gives us broad appeal, while benefitting from several consumer trends.

We believe that consumers are increasingly looking for products that are both great tasting and healthy. Tea naturally contains no sodium, fat, carbonation or sugar and is virtually calorie-free. We also offer one of the largest certified organic collections of tea among branded tea retailers in North America. We believe that consumers are also looking to find beverages that provide functional benefits and can be customized and enjoyed on a variety of occasions. Lastly, we believe that as consumers become more educated about tea, they will seek out venues like DAVIDsTEA that provide a large selection of high-quality products. We believe that our tea's broad, multi-generational appeal coupled with several important consumer trends, most notably health and wellness, will help support our long-term growth.

Effective Grassroots Marketing Strategy Drives Customer Trial and Engagement. DAVIDsTEA uses a field-based marketing approach in addition to social media to build brand awareness and drive customers to our stores. One aspect of this effort is our events sponsorship group, which we believe is a differentiated capability and allows us to create excitement for our brand by engaging directly in the communities around our stores and drive store visits by offering product samplings and beverage coupons. In the last 12 months, we engaged with over 350,000 people through more than 1,500 events, which included the Seawheeze Half Marathon in Vancouver, the GIRLS HBO premiere in New York City, the Ghirardelli Chocolate Festival in San Francisco, and the Boston Common Tree Lighting Ceremony. These events are identified and coordinated by our local store managers and Tea Guides with support from our dedicated corporate events team. We also have a strong social media platform, with a total following base of 460,000 that spans Facebook, Google+, Instagram, Twitter, Pinterest and Vine. Our following base has increased fifteen times since 2011. Our social media platform is distinguished from peers by our high level of customer engagement. We have a strong social media team, with a 60%-80% average monthly response rate on Twitter over the past several months. We believe that our ability to build brand awareness is largely driven by our grassroots marketing strategy and our strong social media platform.

Versatile Store Model with Compelling Store Economics. Our stores have been successful in a variety of geographic regions, population densities and real estate venues. The success of our stores with consumers is underscored, in part, by our comparable store sales growth, which has been positive for the past 21 consecutive quarters. We have proven our concept across Canada, where we believe there remains significant growth opportunity. Our average unit is approximately 850 square feet, although our store format allows us to be flexible so that we can get the most desirable location. Our units in Canada averaged four-wall EBITDA margins in excess of 30% in fiscal 2013. Our new stores in Canada have historically averaged a cash-on-cash payback period of approximately two years. We opened our first store in the United States in 2011 and we believe the early results recorded over the last two years demonstrate the potential of our brand and retail concept. Based on our experience in the U.S. market, we target a cash-on-cash payback in the United States of three years, rather than two for Canadian stores, as we expect stores in this market to mature more slowly due to lower brand awareness and lower tea consumption among consumers in the United States as compared to Canada. We believe the strong results we continue to experience in North America underscore our growth opportunity.

Passionate Customer-Focused Culture supported by Experienced Management Team. Our core values and distinctive corporate culture allow us to attract passionate and friendly employees who share a vision of making tea fun and accessible. We have a strong focus on community engagement, and our culture reflects our belief in doing right by our customers and our communities. We provide our employees with extensive training, career development, individual enrichment, and empowerment, which we believe is a key contributor for our success. Our President and Chief Executive Officer, Sylvain Toutant, joined us in May

2014. He most recently served as president of Keurig Canada, and was previously Chief Operating Officer at VanHoutte. Our co-founder, Chief Brand and Innovation Officer, David Segal, leads our brand team and plays a central role in maintaining and developing our corporate culture. Our Chief Financial Officer, Luis Borgen, joined us in 2012, having previously served as the CFO of DaVita HealthCare Partners, a public company in the healthcare space. Prior to DaVita Healthcare Partners, Mr. Borgen spent more than 12 years at Staples. Our management team's experience is balanced between entrepreneurial growth and large scale operations. The management team supports a culture that is rooted in our love and excitement for tea. As a result, we believe our culture directly translates into how we interact with our customers and the knowledge and passion our team members display.

Our Growth Strategies

Key elements of our growth strategy are to:

Increase Brand Awareness. We will continue to increase consumer awareness and excitement for the DAVIDsTEA brand and drive customer loyalty through our field-based marketing efforts, social media presence, continued store expansion and growing e-commerce sales. Our field-based marketing programs are designed to develop and foster a personal connection with the community and position DAVIDsTEA as a high-quality, community-conscious brand that simplifies tea preparation in a way that encourages consumption for both tea enthusiasts and novices. We will also continue to leverage our growing social media presence to increase our online sales and drive additional store visits within existing and new markets. We see a significant opportunity to increase our brand visibility in the U.S. market, which will be a key area of focus in our marketing strategy going forward.

Grow Our Store Base. We believe there is a highly attractive, long-term growth opportunity for our store base in North America. Our internal research suggests a significant store potential in North America. As shown in the table below, our store base has grown considerably in the past few years.

Fiscal Year	Total Number of Stores		
	Canada	United States	Total
2011	68	2	70
2012	91	14	105
2013	108	16	124
2014E	130	24	154

In fiscal 2015, we expect to open approximately 25-30 stores in Canada and 10-15 stores in the United States. Over the longer term, we believe that we have the ability to open approximately 30-40 stores annually, with the proportion of stores opened in the United States per year trending toward 50%.

Drive Comparable Store Sales. We expect to drive positive comparable store sales growth by increasing the size and frequency of purchases by our existing customers, as well as by attracting new customers. We intend to execute this strategy through both our retail stores and e-commerce site, through:

- *Enhancing our current product assortment.* We believe that our attractive and continuously evolving assortment of tea, tea-related accessories and other tea-related merchandise, including popular limited-time and seasonal offerings, drives consumers to

our stores and website and creates a sense of excitement in attaining our latest products.

- *Introducing new product categories and broadening existing categories to provide additional reasons to shop at DAVIDsTEA.* We continue to look for adjacent categories in which we can infuse our tea flavors, such as tea-scented candles and tea-infused chocolates.
- *Offering a website that blends product expertise, community and numerous tools to aid in the discovery and exploration of tea.* We launched our website just prior to opening our first store and have since consistently demonstrated how well-suited our products are for e-commerce. For example, our online tea finder helps the customer identify the right teas based on their taste and other preferences replicating the in-store experience with our Tea Guides. Our e-commerce sales increased from 2.7% of sales in fiscal 2010 to 7.6% of sales for the thirty-nine weeks ended October 25, 2014, and we are targeting greater than 15% of sales over the long term as we educate consumers about our products and improve our website. This channel is particularly attractive to us as the average check size for our e-commerce basket is approximately four times that of our in-store basket. We believe the growth of our store network and our extensive social media presence will drive the growth of our e-commerce site.
- *Capitalizing on our strong customer loyalty and growing customer base.* We believe there is an opportunity to enhance our recently introduced Frequent Steeper loyalty program to provide customers with more targeted messages. We are making significant investments to drive our loyalty program.

Expand Adjusted EBITDA Margin. We have increased our Adjusted EBITDA margin from 10.2% in fiscal 2011 to 12.5% in fiscal 2013. As we continue to grow and benefit from the leveraging of our cost structure, we believe further opportunities to increase our margins will exist. We intend to capitalize on opportunities across our supply chain as we grow our business and achieve further economies of scale. We have invested significantly in our business ahead of our growth, and we are targeting an Adjusted EBITDA margin in the high teens over the long term.

Our Stores and Operations

Our Stores

As of October 25, 2014, our retail footprint consisted of 122 stores in Canada and 21 stores in the United States. Our retail stores are located primarily within malls and on street locations and to some degree in lifestyle centers and outlets. Each store exterior prominently displays the DAVIDsTEA teal signage. In fiscal 2013, our average store was approximately 850 square feet. We have rapidly pursued new store growth, having significantly increased our store base from one store in fiscal 2008 to 143 stores as of October 25, 2014.

Distinctive Retail Experience

The DAVIDsTEA experience starts with our people both in stores, our Tea Guides, and at our support center office. Their knowledge and passion permeates our culture and is rooted in a deep knowledge of, and desire to share, the compelling attributes of tea. We design our stores with a modern and simple aesthetic that, coupled with our teal-colored logo, create an inviting atmosphere and stand in stark contrast to common perceptions of tea as a more traditional product. A key element of the retail experience is our Tea Wall, a focal point of the store, which displays approximately 150 varieties of our loose-leaf teas and tea blends in silver tins. Our Tea Guides

within the store are knowledgeable, personable and excited about tea, and help facilitate a highly interactive and immersive customer experience. We strive to make tea a multi-sensory experience by facilitating interaction with our products through education and sampling so that our customers appreciate the compelling attributes of loose-leaf teas as well as the ease of preparation. Every visit to our stores is designed to create a sense of adventure where our customers can spend time with our well-trained and enthusiastic Tea Guides that help novice and experienced tea drinkers alike select from the many varieties of premium loose-leaf teas and tea blends available on our Tea Wall. Our Tea Guides assist our customers in navigating the Tea Wall by selecting a variety of teas for customers to smell based on their taste preferences. We strive to ensure that the taste of our teas mirror their smell. Our unique blends contain ingredients from all around the world. In order to encourage customers to visit regularly and discover the latest blends, we introduce new blends every month and for seasonal occasions.

Site Selection and Expansion

We seek to open stores in strategic locations that support the brand image, targeting high customer traffic locations primarily within malls and on streets and to some degree within lifestyle centers and outlets. We employ a rigorous analytical process to identify new store locations. We target locations based on market characteristics, demographic characteristics, including income and education levels, the presence of key anchor stores and co-tenants, population density and other key characteristics. For every store location selected, our real estate team prepares a detailed financial plan, which is evaluated by our real estate committee. Our real estate committee includes both our CEO and CFO. Our real estate team is led by our Head of Real Estate, and includes a real estate manager, a senior construction manager to oversee new store construction and store maintenance and a store designer, among others. Members of our real estate team spend considerable time evaluating prospective sites. We also actively monitor and manage the performance of our stores and seek to incorporate information learned through the monitoring process into our future site selection decisions.

We believe there is a significant opportunity to expand our store base in Canada from 108 locations as of the end of fiscal 2013, having already identified the malls and street locations and to some extent the lifestyle centers and outlets, that are suitable locations in which to open new DAVIDsTEA stores. In the United States, we believe there is also a significant opportunity to expand our store base from the 16 locations we had as of the end of fiscal 2013. We believe we have the ability to continue to open approximately 30-40 stores annually for the foreseeable future. In fiscal 2015, we expect to open approximately 25-30 stores in Canada and 10-15 stores in the United States. Longer-term we expect to open approximately 50% of our new stores in Canada and 50% in the United States. Our new store model anticipates an average target store size of approximately 850 square feet that achieves annual sales of approximately \$500,000-\$600,000 in the first year of operation. Our new store model also assumes an average new store investment of approximately \$290,000-\$320,000, which includes our capital to build out the store. We target an average payback period of approximately two to three years on our initial investment. Our new store model for the United States assumes longer payback as we have a smaller store base and lower brand awareness and lower tea consumption among consumers in the United States as compared to Canada.

Store Staffing and Operations

Each of our stores is managed by a store manager and an assistant store manager who oversee an average of ten to sixteen full and part-time Tea Guides in each store. Each manager is responsible for the day-to-day operations of his or her store, including the unit's operating results, maintaining a clean and appealing store environment and the hiring, training and development of

personnel. District Managers oversee geographical groupings of approximately 10 stores. We also employ regional directors, who are responsible for overseeing district managers.

We are guided by a philosophy that recognizes customer service and the importance of delivering optimal performance, allowing us to identify and reward teams that meet our high performance standards. We use store level scorecards that report key performance indicators. We provide our store managers with a number of analytical tools to support our store operations and assist them in attaining optimum store performance. These tools include key performance indicator reports, coaching logs for one-on-one meetings, weekly one-on-one meetings between our store managers and district managers and bi-annual evaluations. While our main focus is on the overall performance of the team and our stores, we provide incentives to team members, assistant store managers, store managers and district managers.

Our Digital Platform

Our digital platform is primarily comprised of our website, www.davidstea.com. We launched our website just prior to opening our first store. Our e-commerce sales represented 7.6% of sales for the thirty-nine weeks ended October 25, 2014, and we are targeting greater than 15% of sales over the long-term. Furthermore, the dollar volume of transactions completed online has increased twenty times from approximately \$0.4 million in fiscal 2010 to approximately \$7.2 million in fiscal 2013.

Our website features our full assortment of premium loose-leaf teas, tea gift sets and tea-related merchandise. We aim to replicate our in-store experience with our Tea Guides with tools such as our online tea finder that helps the customer identify the right teas based on their taste and other preferences. To drive increased sales through our digital platform, we utilize online-specific marketing and promotional programs. In addition, we employ banner advertisements, search engine optimization and pay-per-click arrangements to help drive customer traffic to our website.

Through our digital platform, we can target a broader audience of customers who may not live near one of our retail locations. We believe our digital platform and our stores are complementary, as our digital platform provides our store customers an additional channel through which to purchase our teas and tea-related merchandise while also helping drive awareness of and customer traffic to our stores.

We also have a strong social media platform, with a total following base of approximately 460,000 that spans Facebook, Google+, Instagram, Twitter, Pinterest and Vine. We will continue to leverage our growing social media presence to increase our e-commerce site sales and drive additional store visits within existing and new markets.

Our Culture and Values

We have developed a distinctive culture that inspires in our team members a passion for tea. Our culture is also focused on customer service through comprehensive training, career development and individual enrichment. We believe our culture allows us to attract knowledgeable, passionate, fun and motivated team members who are driven to succeed.

Passion for Tea. We believe our passionate and fun Tea Guides are a major element of our retail experience. We seek to recruit, hire, train, retain and promote qualified, knowledgeable and enthusiastic team members who share our passion for tea and strive to deliver an extraordinary retail experience to our customers.

Extensive Training. We have specific training and certification requirements for all new team members, including undergoing food handlers certification and nine hours of foundational training. This rigorous process helps ensure that all team members educate our customers and execute our

standards accurately and consistently. As team members progress to the assistant manager and manager levels, they undergo additional weeks of training in sales, operations and management.

Career Development and Individual Enrichment. We actively track and reward team member performance, which we believe incentivizes excellence and helps us identify top performers and thus maintain a sufficient talent pool to support our growth. Many of our store managers and district managers are promoted from within our organization. We are guided by a philosophy that recognizes performance, allowing us to identify and reward teams who meet our high performance standards.

We believe our culture allows us to attract and retain committed team members.

Our Product Categories

We offer approximately 150 varieties of premium loose-leaf teas and tea blends in addition to gift packages and tea accessories in stores and through our website. Additionally, we offer on-the-go beverages and food items in our retail stores. Approximately 65% of our revenue is driven by the sale of loose-leaf tea and tea gifts that consumers enjoy at home, on-the-go or at work. The balance of our revenue is driven by tea accessories (25%) and food and beverages prepared in our stores (10%).

Teas

Our different flavors of tea span eight different tea categories — white, green, oolong, black, pu'erh, mate, rooibos and herbal tea. Furthermore, approximately 75% of our teas are blended with other ingredients while approximately 25% are straight tea. Our straight white tea, created from silvery buds, is sourced mostly from China. We offer a wide variety of straight green tea sourced from various regions throughout China, Japan and South Korea. Our oolong offering includes teas from China, Vietnam and Taiwan. Our black teas come from various regions across mainly India, Nepal, Kenya, Sri Lanka and China. Our pu'erh tea is sourced mostly from China and is traditionally aged underground. Our mate teas, sourced from South America, are packed with stimulants such as caffeine and come in a variety of fun flavors. Made from a South African plant, rooibos is a caffeine-free alternative that blends well with many flavors. Lastly, our herbal teas include many different ingredients and are mostly caffeine free. In addition to loose-leaf teas, we sell our pre-packaged teas and sachets to make the tea experience more convenient for customers. Our tea gifts range from special edition holiday gift packages to tea-scented candles.

Tea Accessories

Our tea accessories are created to simplify the tea preparation process and make the tea experience more convenient and fun and easy for customers. Tea accessories include tea mugs, travel mugs, teapots and tea makers, teacup sets, infusers and filters, kettles and frothers, tins and spoons. Many of our accessories are crafted with unique features to improve tea preparation and consumption. For example, our carry travel mug has a separate compartment under the lid to store dry tea leaves for use later in the day. All of our accessories are crafted with unique colors and designs.

Beverages and Food

Our retail stores offer beverages and food for on-the-go consumption. Our beverages range from the standard hot or iced tea to our more innovative Tea Lattes and TeaPop® drinks. Furthermore, we bring our innovation through in our packaged food products, which include tea infused chocolate and cookies as well as sweeteners.

Product Design and Development

Our merchandising team travels throughout the world to a variety of vendors seeking superior teas and tea products. Our merchandising team consists of Tea Blend Developers, Product Designers, Category Merchants and Quality Control, who leverage our extensive experience selecting and developing our product assortment. The ingredients in our tea come from around the globe, including Japan, China, India, South Korea, Latin America, Kenya and South Africa. We are constantly exploring different ingredients that are popular in a variety of cultures from which to introduce new teas to our customers. Our research and development team works with our blenders and supplier partners to develop special tea blends that we sell on an exclusive basis. We work with a variety of blenders to create new and exciting flavors of tea which we rotate into our product offering to attract new customers and keep current customers coming back. Our blending process is very focused on magnifying the senses and bringing smell and taste to the forefront. We use a variety of quality ingredients in our tea blends, including coconut, rosehips, almonds and chocolate. We introduce new flavors each month as well as around seasonal holidays. We believe our focus on innovation and product development is a key differentiating factor for our brand that helps drive our customer loyalty.

Our innovation also extends to creating new and exciting merchandise to simplify tea consumption and enhance the tea drinking experience. We have a competitive advantage in that our accessory team designs and develops all of our products in-house. Therefore, we are better positioned to create unique, proprietary designs to make consuming loose-leaf tea easier and more fun for our customers. We believe our combination of product selection and product innovation allows us to offer customers a distinctive assortment of products that differentiate us from other specialty tea retailers and helps drive our continued strong financial results.

Marketing and Advertising

We differentiate our business through a unique field-based marketing approach to build brand awareness and drive customers to our stores and e-commerce site in both new and existing markets. We customize our marketing mix for each of our markets and purposes through our events sponsorship group. Our events sponsorship group engages directly in the communities around our stores and drives store visits by offering product samplings and beverage coupons and participating in both hyper-local and large-scale events. In the last 12 months, we engaged with over 350,000 people through more than 1,500 events, which included the Seawheeze Half Marathon in Vancouver, the GIRLS HBO premiere in New York City, the Ghirardelli Chocolate Festival in San Francisco, and the Boston Common Tree Lighting Ceremony. These events are identified and coordinated by our local store managers and Tea Guides with support from our dedicated corporate events team.

We maintain an active social media program and have developed a strong presence on various social media platforms with a total following base of 460,000, including Facebook (over 155,000 followers), Google+ (over 135,000 followers), Instagram (over 67,000 followers) and Twitter (over 63,000 followers), in each case as of November 20, 2014. Our following base has increased over fifteen times since 2011. Our social media team is a leader in customer engagement, with a 60%-80% average monthly response rate on Twitter over the past several months. In addition, we take a proactive approach to public relations through national, local and trade media outlets.

Sourcing and Manufacturing

We do not own or operate any tea estates or blending operations; instead, we work with vendors who source ingredients for our products from all over the globe, including Ecuador, Argentina, Brazil, South Africa, Kenya, Sri Lanka, India, Nepal, China, Vietnam, South Korea, Taiwan

and Japan. The majority of our tea blenders are in either Germany or the United States. We have a flexible and scalable supply chain system. All of our pre-packaged teas, gift packages and boxed accessories and merchandise are assembled in our Montréal warehouse and then shipped to our retail stores. Since we founded the Company in 2008, we have developed strong relationships with our suppliers. Our relationships with our suppliers are very important as we depend on our suppliers to provide us with the highest quality tea from around the world. In addition to bringing our designs for tea blends to fruition, our suppliers are crucial to the quality control process and ensuring our teas meet applicable regulatory guidelines.

Competition

We believe we differentiate ourselves from our competitors on the basis of our distinct retail experience and the innovative tea products we offer. The U.S. and Canadian tea markets are highly fragmented. We compete with a large number of relatively small independently owned tea retailers and a number of regional and national tea retailers, as well as retailers of grocery products, including loose-leaf tea and tea bags and other beverages. We also compete with other vendors of loose-leaf tea, tea bags and ready-to-drink teas, such as club stores, wholesalers and Internet suppliers, as well as with houseware retailers and suppliers that offer teawares and related accessories. As we continue to expand geographically, we expect to encounter additional regional and local competitors.

Distribution Facilities

We distribute our loose-leaf teas and tea-related gifts and accessories to our stores and our e-commerce customers from distribution centers in Montréal, Calgary and Champlain, New York. Our Montréal warehouse ships to our e-commerce customers and Eastern Canada stores, while our third-party distribution centers in Calgary and upstate New York ship to Western Canada and all U.S. stores, respectively. The facilities in Calgary and Champlain, New York are operated by third parties and are 500,000 and 88,000 square feet in size, respectively. We operate the distribution facility in Montréal, which is leased and is approximately 60,000 square feet in size. Our products are typically shipped to our stores and our e-commerce customers via a third-party national transportation provider multiple times per week.

Management Information Systems

Our management information systems provide a full range of business process support to our stores, our store operations and support center teams. Additionally, we operate our e-commerce site on an independent platform. We believe our systems provide us with enhanced operational efficiencies, scalability, increased management control and timely reporting that allow us to identify and respond to trends in our business. We utilize a combination of industry-standard and customized software systems to provide various functions related to:

- point of sales;
- inventory management;
- warehouse management; and
- accounting and financial reporting.

We believe our management information systems benefit us through enhanced customer service, more efficient operations and increased control over our business. Through our point of sale system we are able to facilitate the operations of our stores and e-commerce site and through our warehouse management systems we can efficiently manage our inventory of loose-leaf teas and tea-related gifts and accessories from our store support center.

Government Regulation

We are subject to labor and employment laws, laws governing advertising, privacy and data security laws, safety regulations and other laws, including consumer protection regulations that apply to retailers and/or the promotion and sale of merchandise and the operation of stores and warehouse facilities. In the United States, we are subject to the regulatory authority of, among other agencies, the FTC and FDA. We are also subject to the laws of Canada, including the Canadian Food Inspection Agency, as well as provincial and local regulations. We monitor changes in these laws and believe that we are in material compliance with applicable laws.

Trademarks and Other Intellectual Property

We regard intellectual property and other proprietary rights as important to our success. We own several trademarks and servicemarks that have been registered with the Canadian Intellectual Property Office and the U.S. Patent and Trademark Office, including DAVIDsTEA®. We have also registered our stylized logos. We also own domain names, including davidstea.com. In addition, we have registered or made application to register one or more of our marks in a number of foreign countries and expect to continue to do so in the future. There can be no assurance that we can obtain the registration for the marks in every country where registration has been sought.

We also rely upon trade secrets and know-how to develop and maintain our competitive position. We protect our intellectual property rights through a variety of methods including trademark and trade secret laws, as well as confidentiality agreements with vendors, employees, consultants and others who have access to our proprietary information.

We must constantly protect against any infringement by competitors. If a competitor infringes on our trademark rights, we may take action to protect our rights, which could result in litigation, in which case, we may incur significant expenses and divert significant attention from our business operations.

Employees

As of the end of fiscal 2013 and 2012, we had approximately 1,561 and 1,376 employees, respectively. As of October 25, 2014, we employed a total of 397 full-time employees and 2,658 part-time employees, with 389 in the United States and 2,666 in Canada. Of all those employees, 2,851 were employed in our retail channel and 204 were employed in corporate, distribution and direct channel support functions. None of our employees is represented by a labor union. We believe our relationship with our employees is good.

Seasonality

Our business experiences seasonal fluctuations, reflecting increased sales during the holiday shopping season. Our revenue and income are generally highest in the fourth quarter, which includes the holiday sales period and tends to be lowest in the second and third fiscal quarters.

Properties

Our principal executive and administrative offices are located at 5430 Ferrier, Mount-Royal, Québec, Canada, H4P 1M2. We also lease office space outside of Boston, Massachusetts. We currently lease one distribution center located in Montréal, Québec, which we opened in July 2010. See "— Distribution Facilities" above for further information.

The general location, use, approximate size and lease renewal date of our properties, none of which is owned by us, are set forth below:

Location	Use	Approximate Square Feet	Lease Renewal Date
Montréal, Québec	Executive and Administrative Offices	22,000	October 31, 2018
Montréal, Québec	Distribution Center	60,000	June 30, 2016
Newton Upper Falls, Massachusetts	Executive and Administrative Offices	3,000	February 28, 2015

As of October 25, 2014, we operated 143 stores consisting of approximately 125,000 gross square feet. All of our stores are leased from third parties and the leases typically have 10 year terms. Most leases for our retail stores provide for a minimum rent, typically including rent increases, plus a percentage rent based upon sales after certain minimum thresholds are achieved. The leases generally require us to pay insurance, utilities, real estate taxes and repair and maintenance expenses.

The following table summarizes the locations of our stores as of October 25, 2014:

Location	Number of Stores
Alberta, Canada	19
British Columbia, Canada	24
Manitoba, Canada	4
Newfoundland, Canada	2
New Brunswick, Canada	1
Nova Scotia, Canada	3
Ontario, Canada	42
Prince Edward Island, Canada	1
Québec, Canada	23
Saskatchewan, Canada	3
California	6
Connecticut	1
Illinois	4
Massachusetts	4
New Jersey	1
New York	5

Legal Proceedings

We are, from time to time, subject to claims and suits arising in the ordinary course of business. Although the outcome of these and other claims cannot be predicted with certainty, management does not believe that the ultimate resolution of these matters will have a material adverse affect on our financial position or on our results of operations.

Corporate Structure

DAVIDsTEA Inc. owns a 100% equity interest in its sole subsidiary, DavidsTea (USA) Inc., a corporation organized under the laws of Delaware.

MANAGEMENT

Our Executive Officers and Directors

Below is a list of the names and ages of our directors and officers as of December 15, 2014, and a brief account of the business experience of each of them. Unless otherwise stated, the business address for our directors and officers is c/o DAVIDsTEA Inc., 5430 Ferrier, Mount-Royal, Québec, Canada H4P 1M2.

Name	Age	Position
Sylvain Toutant	51	President, Chief Executive Officer and Director
Luis Borgen	44	Chief Financial Officer
David Segal	33	Chief Brand and Innovation Officer
Howard Tafler	45	Chief Accounting Officer
Marc Macdonald	43	Chief HR Officer
Trey Noonan	47	Head of Store Development
Pierre Michaud	71	Director and Chairman
Emilia Di Raddo	57	Director
Tom Folliard	49	Director
David W. McCreight	52	Director
Lorenzo Salvaggio	60	Director
Guy Savard	71	Director
Herschel Segal	83	Director
Sarah Segal	30	Director
Thomas Stenberg	65	Director

Sylvain Toutant, President and Chief Executive Officer and Director. Mr. Toutant, 51, joined the Company as President and Chief Executive Officer and as a director in May 2014. Prior to that, Mr. Toutant served as the President of Keurig Green Mountain Canada from December 2010 to May 2014 and as Chief Operating Officer of VanHoutte from August 2008 to December 2010. Mr. Toutant received a B.A.A. in Marketing and Commerce from Université du Québec à Trois-Rivières. Mr. Toutant brings significant experience in the beverage industry to our board.

Luis Borgen, Chief Financial Officer. Mr. Borgen, 44, became our Chief Financial Officer in May 2012. Prior to joining us, Mr. Borgen served as Chief Financial Officer of DaVita HealthCare Partners Inc. from March 2010 to April 2012. From February 2009 to March 2010, Mr. Borgen served as Senior Vice President, Finance for the U.S. retail division of Staples, Inc., where he played a role in strategy development and business planning efforts. From June 2005 until January 2009, Mr. Borgen served as the Vice President, Finance for the U.S. retail division of Staples, Inc. From July 2002 to June 2005, Mr. Borgen served as Vice President, Corporate Financial Planning and Analysis of Staples, Inc. where he led the global business planning efforts. From February 1999 to June 2002, Mr. Borgen served in the corporate treasury department of Staples, Inc., including as Vice President and Assistant Treasurer. Mr. Borgen received a B.S. in Business Management from the United States Air Force Academy, a Masters in Finance from Boston College and an M.B.A. from The University of Chicago.

David Segal, Chief Brand and Innovation Officer. Mr. Segal, 33, is one of our co-founders and has held various positions with our Company since April 2008. In September 2014, Mr. Segal became our Chief Brand and Innovation Officer. Mr. Segal received a Bachelor of Commerce in Entrepreneurship and English Literature from McGill University.

Howard Tafler, Chief Accounting Officer. Mr. Tafler, 45, joined our Company in January 2010 and serves as our Chief Accounting Officer. Prior to joining the Company, Mr. Tafler worked at

a national accounting firm and was the Chief Financial Officer of a manufacturing company from 2003 to 2009. Mr. Tafler received a Bachelor of Commerce in Accounting from McGill University. Mr. Tafler is also a chartered accountant and a CPA.

Marc Macdonald, Chief HR Officer. Mr. Macdonald, 43, joined our Company as Chief HR Officer in July 2014. Prior to joining our company, Mr. Macdonald served as the Vice President, HR at Keurig Green Mountain Canada from August 2011 through July 2014 and as Director, HR at The Home Depot, Inc. from August 2008 through August 2011. Mr. Macdonald received a Bachelor of Commerce in Organizational Behavior and Labor Management Relations from McGill University and an M.Sc. in Human Resources from HEC Montréal.

Trey Noonan, Head of Store Development. Mr. Noonan, 47, became our Head of Store Development in October 2014. Prior to that, Mr. Noonan served in increasing roles of responsibility at Abercrombie & Fitch, Inc. from January 2008 through September 2014, including Vice President, Real Estate for the United States & Canada, Vice President, Capital, Real Estate Finance & Accounting and Senior Director, Corporate Finance. Mr. Noonan received a B.S. in Finance and Political Science from Miami University and an M.B.A. in Finance from The Ohio State University.

Pierre Michaud, Chairman. Mr. Michaud, 71, became a director of our Company in February 2014. Since July 1997, Mr. Michaud has served as the President of Capital GVR Inc., an investment company. From January 1990 to January 2010, Mr. Michaud served on the board of directors of Laurentian Bank of Canada (TSX: LB), from May 1999 to April 2011, he served as a director of Loblaw Companies Limited (TSX: L), a grocery retailer, and from June 2004 to June 2013, he served on the board of BRP Inc. (TSX: DOO), a powersports vehicle manufacturer. Mr. Michaud received a Certificate in Marketing from HEC Montréal. Mr. Michaud's brings valuable knowledge about Canadian retail companies to our board.

Emilia Di Raddo, Director. Ms. Di Raddo, 57, became a director of our Company in August 2012, which term ended in January 2013. Ms. Di Raddo rejoined our board in March 2014. Ms. Di Raddo has been the President and Chief Financial Officer of Le Chateau Inc. (TSX: CTU/A) since November 1996, where she also serves on the board of directors. Ms. Di Raddo received a Bachelor of Commerce and a Diploma in Accountancy from Concordia University and is also a chartered accountant and a CPA. Ms. Di Raddo brings valuable retail industry experience to our board.

Tom Folliard, Director. Mr. Folliard, 49, became a director of our Company in February 2014. Mr. Folliard has served as the President and Chief Executive Officer of CarMax, Inc. since 2006. Prior to that, Mr. Folliard served as executive vice president of store operations from 2001 to 2006 and vice president of merchandising from 1996 to 2001. Mr. Folliard serves on the board of directors of CarMax, Inc. (NYSE: KMX) and PulteGroup, Inc. (NYSE: PHM). Mr. Folliard received a B.S. in Management from Florida Institute of Technology. Mr. Folliard brings valuable management and retail experience to our board.

David W. McCreight, Director. Mr. McCreight, 52, became a director of our Company in November 2014. Mr. McCreight has served as Chief Executive Officer of Anthropologie Group, a division of Urban Outfitters, Inc., since November 2011. Prior to that, Mr. McCreight served as President of Under Armour, Inc. from 2008 until 2010 and President of Lands' End, Inc. from 2005 to 2008. Mr. McCreight also held the position of Senior Vice President of Merchandising at Lands' End from 2003 to 2005 and Senior Vice President and General Merchandising Manager of Disney Stores from 2001 to 2003. Mr. McCreight received a B.A. in Liberal Arts from the University of Virginia. Mr. McCreight is qualified to serve on our board given his experiences described above and his understanding of the retail industry.

Lorenzo Salvaggio, Director. Mr. Salvaggio, 60, became a director of our Company in September 2014. Mr. Salvaggio served as Chief Financial Officer of Les Distribution Regitan Ltd., a food wholesaler, from October 2012 to May 2014. Prior to that, Mr. Salvaggio was a consultant at and owner of Lyceum Management Services Inc., a consulting firm, from July 2005 to October 2012. Mr. Salvaggio received a Bachelor of Commerce in Accounting from Concordia University. Mr. Salvaggio is a CPA and CMA. Mr. Salvaggio brings significant management and accounting experience to our board.

Guy Savard, Director. Mr. Savard, 71, became a director of our Company in November 2014. Mr. Savard served as Chairman of Merrill Lynch Canada Inc. from August 1998 to September 2012. Prior to joining Merrill Lynch Canada Inc., Mr. Savard started his career as a chartered accountant and then served as President and Chief Operating Officer of Caisse de dépôt et placement du Québec. Mr. Savard received a Bachelor of Commerce from Laval University, a Masters Degree in Accounting and Commerce from Laval University and a Diploma in Small Company Management from Harvard University. Mr. Savard brings significant financial and accounting experience to our board.

Herschel Segal, Director. Mr. Segal, 83, is one of our co-founders and became a director of our Company in April 2008. Since January 1969, Mr. Segal has served as the President and Chief Executive Officer of Rainy Day Investments Ltd., an investment company. Mr. Segal founded Le Chateau Inc. (TSX: CTU/A), a clothing retailer, in 1959 and served as its Chief Executive Officer until September 2006, where he also served as Executive Chairman until February 2007 and where he is still a director. Mr. Segal received a B.A. in Economics and Political Science from McGill University. Mr. Segal brings vast retail industry experience to our board.

Sarah Segal, Director. Ms. Segal, 30, became a director of our Company in April 2012. Ms. Segal served as our President and Head of Product Development and Tea Department from December 2010 to September 2012. Since May 2013, Ms. Segal has served as the President and owner of SQUISH Candy. Ms. Segal received a B.A. in Environmental Health from McGill University and an M.Sc. in Water Science, Policy and Management from Oxford University. Ms. Segal brings knowledge of the Company and retail experience to our board.

Thomas Stemberg, Director. Mr. Stemberg, 65, became a director of our Company in April 2012. Mr. Stemberg became a managing general partner with Highland Consumer Partners, a venture capital firm, in 2006. From 1988 to 2005, Mr. Stemberg served as Chairman of Staples, Inc., an office supply superstore retailer, and from 1986 until 2002, he also served as Chief Executive Officer of Staples, Inc. (NASDAQ: SPLS). Mr. Stemberg serves on the boards of CarMax, Inc. (NYSE: KMX), Guitar Center, Inc., PetSmart, Inc. (NASDAQ: PETM) and lululemon athletica inc. (NASDAQ: LULU). Mr. Stemberg received an A.B. in Physical Science from Harvard College and an M.B.A. from Harvard Business School. Mr. Stemberg brings valuable management and retail industry experience to our board.

Family Relationships

Our co-founder and one of our directors, Herschel Segal, is the father of Sarah Segal, who is also currently one of our directors. Herschel Segal and David Segal, our other co-founder and an executive officer, are first cousins. Mr. Toutant, our President and Chief Executive Officer, is married to a niece of Mr. Michaud, our Chairman.

Composition of our Board of Directors

Our board of directors consists of ten directors, nine of whom are non-employee directors. Each director was elected under board composition provisions in our Amended and Restated

Voting Agreement, as amended, which will be terminated upon the closing of this offering. Our directors are appointed for a one-year term to hold office until the next annual general meeting of our shareholders or until their earlier resignation or removal from office in accordance with our bylaws.

Director Independence

Based upon information requested and provided by each director concerning their background, employment and affiliations, including family relationships, our board of directors has determined that none of _____, representing _____ of our ten directors, has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the Rules of _____.

Board Structure and Committee Composition

Our board of directors has established, or will establish prior to the completion of this offering, an Audit Committee; a Compensation Committee; and a Nominating and Corporate Governance Committee.

Audit Committee

Upon completion of this offering, our Audit Committee will consist of _____, _____ and _____, with _____ serving as Chairman of the committee, and we will have at least one independent member. We anticipate that, prior to the completion of this offering, the Board will determine that _____ meets the independence requirements under the rules of the _____ and under Rule 10A-3 under the Exchange Act. Within 90 days following the effective date of the registration statement of which this prospectus forms a part, we anticipate that our Audit Committee will consist of a majority of independent directors, and within one year following the effective date of the registration statement of which this prospectus forms a part, our Audit Committee will consist exclusively of independent directors. The Board has determined that _____ is an "Audit Committee financial expert." All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the _____. Our Audit Committee's primary responsibilities and duties upon completion of this offering will include:

- appointing, approving the compensation of, and assessing the qualifications, performance and independence of our independent registered public accounting firm;
- pre-approving audit and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- reviewing the audit plan with the independent registered public accounting firm and members of management responsible for preparing our financial statements;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures as well as critical accounting policies and practices used by us;
- reviewing the adequacy of our internal control over financial reporting;
- establishing policies and procedures for the receipt and retention of accounting-related complaints and concerns;
- recommending, based upon the Audit Committee's review and discussions with management and the independent registered public accounting firm, whether our audited financial statements shall be included in our Annual Report on Form 20-F;

- monitoring our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters;
- reviewing all related party transactions for potential conflict of interest situations and approving all such transactions; and
- reviewing and discussing with management and our independent registered public accounting firm our earnings releases and scripts.

Compensation Committee

Upon completion of this offering, the Compensation Committee will consist of _____, _____ and _____, with _____ serving as Chairman of the committee. We anticipate that, prior to the completion of this offering, the Board will determine that _____ meets the independence requirements of _____. Within 90 days following the effective date of the registration statement of which this prospectus forms a part, we anticipate that our Compensation Committee will consist of a majority of independent directors, and within one year following the effective date of the registration statement, our Compensation Committee will consist of exclusively independent directors. The Compensation Committee's responsibilities upon completion of this offering will include:

- annually reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer;
- evaluating the performance of our chief executive officer in light of such corporate goals and objectives and determining and approving the compensation of our chief executive officer;
- reviewing and approving the compensation of our other executive officers;
- appointing, compensating and overseeing the work of any compensation consultant, legal counsel or other advisor retained by the compensation committee;
- conducting the independence assessment outlined in _____ rules with respect to any compensation consultant, legal counsel or other advisor retained by the compensation committee;
- annually reviewing and reassessing the adequacy of the committee charter in its compliance with the listing requirements of _____;
- reviewing and establishing our overall management compensation, philosophy and policy;
- overseeing and administering our compensation and similar plans;
- reviewing and approving our policies and procedures for the grant of equity-based awards;
- reviewing and making recommendations to the Board with respect to director compensation;
- reviewing and discussing with management the compensation discussion and analysis to be included in our Annual Report on Form 20-F; and
- overseeing the evaluation of the Board and management.

Nominating and Corporate Governance Committee

Upon completion of this offering, the Nominating and Corporate Governance Committee will consist of _____, _____, and _____, with _____ serving as Chairman of the _____.

committee. The Nominating and Corporate Governance Committee's responsibilities upon completion of this offering will include:

- developing and recommending to the Board criteria for board and committee membership;
- establishing procedures for identifying and evaluating the Board candidates, including nominees recommended by shareholders;
- identifying individuals qualified to become members of the Board;
- recommending to the Board the persons to be nominated for election as directors and to each of the Board's committees;
- developing and recommending to the Board a set of corporate governance principles;
- articulating to each director what is expected, including reference to the corporate governance principles and directors' duties and responsibilities;
- reviewing and recommending to the Board practices and policies with respect to directors;
- reviewing and recommending to the Board the functions, duties and compositions of the committees of the Board;
- reviewing and assessing the adequacy of the committee charter and submitting any changes to the Board for approval;
- consider and report to the Board any questions of possible conflicts of interest of the Board members;
- provide for new director orientation and continuing education for existing directors on a periodic basis; and
- performing an evaluation of the performance of the committee.

Code of Business Conduct and Ethics

Prior to completion of this offering, we intend to adopt a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. Upon the closing of this offering, our Code of Business Conduct and Ethics will be available on our website. If we make any substantive amendments to the Code of Business Conduct and Ethics or grant any waiver, including any implicit waiver, from a provision of the Code of Business Conduct and Ethics to our officers, including the chief executive officer, chief financial officer or chief accounting officer, we will disclose the nature of such amendment or waiver on our website or in our Annual Report on Form 20-F.

EXECUTIVE AND DIRECTOR COMPENSATION

The following discussion relates to the compensation of our former Chief Executive Officer, Jevin Eagle and our Chief Financial Officer, Luis Borgen, and, other than our former Chief Executive Officer and Chief Financial Officer, our next most highly compensated executive officer whose total annual compensation (individually) exceeded \$150,000 in fiscal 2013 (collectively, the "Named Executive Officers" or "NEOs"). Based on fiscal 2013 compensation, our NEOs are:

- Jevin Eagle, former Chief Executive Officer;
- Luis Borgen, Chief Financial Officer; and
- Kathie Lindemann, former Chief Operating Officer.

In April 2014, Mr. Eagle ceased to be our Chief Executive Officer and we hired Sylvain Toutant as our current Chief Executive Officer. Because Mr. Toutant was not one of our executive officers during 2013, his compensation is not included in the tables below, but we have provided a description of the agreement entered into in connection with his employment with the Company. In September 2014, Ms. Lindemann ceased to be our Chief Operating Officer.

Overview

Based on recommendations made by our Compensation Committee, our board of directors makes decisions regarding all forms of compensation, including salaries, bonuses and equity incentive compensation for our executive officers and approves corporate goals and objectives relevant to the compensation of our Chief Executive Officer and our other executive officers. Our board of directors solicits input from our Compensation Committee regarding the performance of our other executive officers. Finally, our board of directors also administers our incentive compensation and benefit plans with the assistance of the Compensation Committee.

Compensation Discussion and Analysis

Compensation Objectives

The objectives of our compensation program are to retain, motivate and reward our executive officers for their performance and contribution to our Company's short-and long-term success, and to align the interests of our executive officers with those of our shareholders. The compensation of each executive officer will be determined based on a number of factors, including the executive officer's qualifications and experience, role, responsibilities and contributions, as well as our financial condition and available resources.

In addition to base salary, our annual incentive plan is designed to motivate and reward our executive officers to achieve our short-term corporate targets, while our long-term incentive plans are designed to focus our executive officers on achieving targets that are aligned with our strategic goals and increasing shareholder value. Our incentive plans place emphasis on key performance measures such as EBITDA targets, thereby improving line of sight to these goals. The NEOs are also entitled to receive benefits and executive perquisites in accordance with our Company policies.

Elements of Compensation Program

The following sections describe the different components of our executive compensation program, which consists of base salary, an annual performance bonus, equity awards and employee benefits that are made available to substantially all salaried employees. Our Named Executive Officers are also entitled to certain compensation and benefits upon certain terminations of employment and change of control transactions pursuant to employment agreements and the terms of individual equity award agreements. We describe each element of compensation in more

detail below. For fiscal 2013, our executive officers, including our Named Executive Officers received total compensation, including base salary, bonus, and equity awards, equal to \$2,514,669 in the aggregate.

Base Salary

Base salaries for our Named Executive Officers are determined annually by our board of directors based on the recommendations of our Compensation Committee. When determining base salary recommendations, our Compensation Committee takes factors into account such as each executive's experience and individual performance, the Company's performance as a whole, cost of living adjustments and other industry conditions, but does not assign any specific weighting to any factor. While we intend to use benchmarks in decisions about executive compensation in the future, we have not to date implemented a formal benchmarking process.

Equity Awards

Our Named Executive Officers participate in our Amended and Restated Equity Incentive Plan (referred to as the "Equity Plan"). See "— Equity and Incentive Plans — Amended and Restated Equity Incentive Plan" below for a description of this plan. Stock options were granted to our Named Executive Officers pursuant to each executive's employment agreement and our Equity Plan, with 25% of each award becoming vested in April 2013 and the remainder vesting in equal monthly installments over the following 36 months. These stock options are subject to earlier vesting upon a trigger event, which generally includes a change of control or a liquidation of the Company. Vesting is generally subject to the executive's continued employment, except in the case of certain terminations of employment that occur within 90 days prior to a trigger event. Stock option awards serve to align the interests of our Named Executive Officers with the interests of our shareholders because no value is created unless the value of our common shares appreciates after grant. Stock option awards also encourage retention through the use of time-based vesting. Our board of directors determines the equity awards to be granted to our Named Executive Officers, upon recommendation from our Compensation Committee.

Cash Bonuses

In fiscal 2013, each of our Named Executive Officers received an annual performance bonus under our 2013 Bonus Plan based on pre-established corporate goals. Our board of directors determined that the performance goals under our 2013 Bonus Plan would be based on EBITDA growth and set the threshold, target and maximum levels of performance under the plan. In fiscal 2014, our Named Executive Officers will be eligible to receive annual performance bonuses under our 2014 Bonus Plan. See "— Equity and Incentive Plans — 2014 Bonus Plan" below for a description of this plan.

The cash bonuses are intended to compensate our Named Executive Officers for achieving financial, operational and strategic goals. These cash bonuses are intended to reward both overall Company and individual performance during the year and, as such, can be highly variable from year to year. Cash bonuses, as opposed to equity awards, are designed to more immediately reward annual performance against key short-term performance metrics. We believe that establishing cash bonus opportunities is an important factor in both attracting and retaining the services of qualified and highly skilled executives.

Benefits

We provide modest benefits to our Named Executive Officers, which are limited to participation in our basic health and welfare plans. These benefits are available to substantially all of our salaried employees.

Compensation Policies and Practices

While there has been no formal consideration by our board of directors or the Compensation Committee of the implications of risks associated with our compensation policies and practices, the current structure of our executive compensation program is designed to discourage the taking of inappropriate or excessive risks by our executive officers. In particular, we believe the following elements of our executive compensation program correlate to the long-term performance of our Company:

- compensation with a well-balanced mix of base salary, annual (short-term) incentive and long-term incentive;
- the use of performance measures, such as revenue growth and EBITDA from continuing operations, that are aligned with our corporate growth strategy and the creation of shareholder value;
- the use of a sliding scale of bonus amounts for annual cash bonuses (as opposed to an all-or-nothing proposition); and
- policies and practices that are generally applied on a consistent basis to all executive officers.

Equity and Incentive Plans

Our proposed and existing equity-based compensation and other incentive compensation plans are:

- the Amended and Restated Equity Incentive Plan;
- the 2015 Equity Incentive Plan;
- the 2014 Bonus Plan; and
- the Cash Bonus Plan.

Amended and Restated Equity Incentive Plan

The Amended and Restated Equity Incentive Plan (the "Equity Plan") provides for the grant of stock options and restricted stock to our and our subsidiaries' employees, officers, directors, contractors and consultants. The following summary of the Equity Plan is not a complete description of all provisions of the Equity Plan and is qualified in its entirety by reference to the Equity Plan, which is filed as an exhibit to the registration statement of which this prospectus is a part.

Plan administration

The Equity Plan is administered by our board of directors, which has authority to grant awards, to interpret the plan and to adopt, amend and rescind rules and regulations related to the plan as it deems advisable, and to make all necessary or desirable determinations regarding the granting of awards.

Authorized shares

Subject to adjustment, the maximum number of common shares that may be delivered in satisfaction of awards under the Equity Plan is 1,900,000 common shares. As of the date of this offering, there were common shares available for issuance for future awards under this plan.

Termination of employment

With respect to vested stock options held by a participant at termination of employment or service due to the participant's retirement, death, incapacity (as defined in the Equity Plan) or due to a termination by the Company without cause (as defined in the Equity Plan) (together, the employees or service providers terminating under these circumstances are referred to as "good leavers"), the participant's right to exercise will expire on the earliest of (i) 180 days from the date of the participant's death or incapacity, (ii) 90 days from the date of his or her retirement, or (iii) 30 days from the date of his or her termination of employment without cause (in each case not later than the date the stock option would otherwise expire according to its terms). The Company may elect, in lieu of delivering shares upon exercise of a stock option by a good leaver, to repurchase the stock option for an amount equal to the difference between the aggregate fair market value of the common shares underlying the stock option and the aggregate exercise price of the stock option. In addition, the Company may repurchase common shares held by good leavers, whether by reason of exercise of stock options or by the vesting of restricted shares for an amount equal to the fair market value of the common shares being repurchased. If a good leaver (other than by termination of employment or service by the Company without cause) does not exercise his or her vested stock options prior to the time the stock option expires, such stock options will be deemed to have been automatically exercised and we will set aside for pickup by the participant (or his beneficiary or legatee) the cash amount to which the participant is entitled to receive with respect to such stock options.

In general, in the event of a participant's termination of employment or service by us for cause (as defined in the Equity Plan) or a termination of employment or service by any other participant who is not a good leaver (together, the participants terminated under these circumstances are referred to as "bad leavers"), then, upon such termination of employment or service, all awards then held by the participant, whether or not then vested or unvested, will immediately expire and be forfeited for no consideration. In addition, upon termination of employment or service, by a bad leaver, our board of directors may elect to repurchase all or a portion of the shares acquired pursuant to the exercise of a stock option or the vesting of restricted stock at a per common share price equal to the lesser of the price paid for such common shares and the fair market value of such common shares.

Trigger events

Upon the occurrence of a trigger event (as defined in the Equity Plan, generally a liquidation or change of control), participants holding vested stock options or stock options that would vest upon the completion of the trigger event will have the right to exercise such stock options on a basis that allows the participants to tender the common shares delivered upon such exercise in the transaction and any stock options not so exercised will expire and be cancelled upon the completion of the trigger event. In its discretion, our board of directors may accelerate the vesting of all or any part of any outstanding stock options or restricted stock, subject to the participant's agreement, in the case of stock options, to exercise such stock options and tender the shares delivered upon such exercise in the transaction, and subject in each case to the completion of the trigger event. In the event of a trigger event in which the purchase price in the transaction will be paid in cash, in lieu of a participant exercising his or her vested stock options prior to the trigger event, the participant may require us to purchase his or her stock options for a purchase price per

common share equal to the purchase price per common share in the transaction times the number of common shares subject to the stock option, minus the aggregate exercise price for such common shares, subject to the completion of the trigger event.

Amendment and termination

Our board of directors may amend, suspend or terminate the Equity Plan at any time, except that, in general, the amendment, suspension or termination of the plan may not diminish the rights of any participant under any award granted to such participant, unless an amendment is necessary to comply with any applicable regulations or stock exchange listing requirements.

2015 Equity Plan

In connection with this offering, our board of directors intends to adopt a 2015 Equity Incentive Plan (the "2015 Plan"). Following the completion of this offering, all equity-based awards will be granted under the 2015 Plan. Our 2015 Plan will provide for the grant of nonqualified stock options, restricted stock, restricted stock units, share appreciation rights, performance-based equity awards and other equity-based awards, to our and our subsidiaries' employees, directors, consultants and advisors.

2014 Bonus Plan

Our board of directors has adopted a 2014 Bonus Plan that provides annual cash award opportunities for our executive officers, including our Named Executive Officers and other key employees. Under the terms of the 2014 Bonus Plan, cash awards for fiscal 2014 will be based on consolidated EBITDA targets and total U.S. EBITDA targets, weighted 90% and 10% respectively. Bonus payouts range on a scale beginning with 25% of a participant's target bonus, if the threshold level of performance is achieved, with maximum payouts of up to 200% of a participant's target bonus, if the maximum level of performance is achieved.

Cash Bonus Plan

In connection with this offering, our board of directors intends to adopt a Cash Bonus Plan. Starting with our 2016 fiscal year, annual cash award opportunities for our executive officers, including our named executive officers, and other key employees will be granted under the Cash Bonus Plan.

Summary Compensation Table

The following table sets out information concerning the compensation paid by us to our NEOs for the 2013 fiscal year:

Name and Principal Position	Fiscal Year	Salary (\$)	Share Based Awards (\$)	Option Based Awards (\$)(1)	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans(2)	Long-Term Incentive Plans (\$)			
Jevin Eagle, Former Chief Executive Officer	2013	377,679	—	172,652	339,911	—	—	—	890,242
Luis Borgen, Chief Financial Officer	2013	323,725	—	64,744	233,082	—	—	—	621,551
Kathie Lindemann Former Chief Operating Officer	2013	350,702	—	64,744	252,505	—	—	—	667,951

Notes:

- (1) Represents the Black Scholes value of option-based awards granted in fiscal 2013.
- (2) Represents annual cash bonuses paid under our 2013 Bonus Plan based on corporate performance goals.

Outstanding Share-Based Awards and Option-Based Awards

The following tables set forth information regarding all equity awards outstanding as of January 25, 2014 held by our Named Executive Officers:

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price \$(1)	Option Expiration Date(2)	Value of Unexercised In-The-Money Options \$(4)
Jevin Eagle	227,600	292,630(3)	\$ 1.23	February 22, 2020	933,163
Luis Borgen	85,350	109,736(3)	\$ 1.23	February 22, 2020	349,936
Kathie Lindemann	85,350	109,736(3)	\$ 1.23	February 22, 2020	349,936

Notes:

- (1) The exercise price of the stock options is not less than the fair market value of a common share, as determined by our board of directors based, in part, on an independent third-party valuation. The exercise price of stock options awarded to our Named Executive Officers is denominated in Canadian dollars.
- (2) All stock options have a seven-year term.
- (3) Represents options to purchase common shares granted on February 22, 2013, with 25% of the shares subject to the option vesting on April 9, 2013 and the remainder of the shares subject to the option vesting in equal monthly installments over the following 36 months through April 2016.
- (4) Represents the value that would have been received by the Named Executive Officer on January 25, 2014 had the executive exercised the entire vested portion of the option on such date.

Incentive Plan Awards — Value Vested or Earned During the Year

The following table sets out information concerning all the incentive plan awards outstanding as of January 25, 2014 held by our Named Executive Officers:

Name	Option Based Awards — Value Vested During the Year \$(1)	Share Based Awards — Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation — Value Earned During the Year (\$)
Jevin Eagle	933,163	—	—
Luis Borgen	349,936	—	—
Kathie Lindemann	349,936	—	—

Notes:

- (1) Represents the value that would have been received by the Named Executive Officer had the executive exercised the portion of the option that vested during the 2013 fiscal year on January 25, 2014.

Employment Agreements

Mr. Sylvain Toutant. We entered into an employment agreement with Mr. Toutant, our Chief Executive Officer, in April 2014. The employment agreement provides for an initial base salary of \$375,000, a target annual performance bonus, as a percentage of base salary, of 50%, with a maximum of up to 100%, and severance payments upon certain terminations of employment. If Mr. Toutant's employment is terminated by us without cause or by him for good reason (as each term is defined in the employment agreement), he will be entitled to continued payment of his base salary for a period of 12 months following such termination of employment as well as pro rata portion of his annual cash bonus for the year in which the termination occurs, subject to the achievement of the performance goals applicable to such bonus as determined by our board of directors for such year. If Mr. Toutant's employment is terminated by us for cause or by him without good reason (as such terms are defined in the employment agreement), Mr. Toutant will be entitled to receive earned but unpaid base salary, any earned but unpaid performance bonus for the year preceding the year in which such termination occurs, unreimbursed business expenses, and an amount payable for unused vacation days. Our obligation to provide Mr. Toutant with any severance payments or other benefits under his employment agreement is conditioned on Mr. Toutant signing a release of claims in our favor.

Mr. Luis Borgen. The employment agreement with Mr. Borgen provides for a base salary, a target annual performance bonus, as a percentage of base salary, of 40%, with a maximum of up to 80%, and severance payments upon certain terminations of employment. If Mr. Borgen's employment is terminated by us without cause or by Mr. Borgen for good reason (as each term is defined in the employment agreement), Mr. Borgen will be entitled to continued payment of his base salary for a period of six months following such termination of employment. In addition, upon a change of control or a liquidation of the Company, the stock options granted to Mr. Borgen pursuant to his employment agreement will become fully vested if he is employed on the closing date of such event or if his employment was terminated without cause or he resigned for good reason within the 90-day period prior to such date. If Mr. Borgen's employment is terminated by us for cause or by Mr. Borgen without good reason (as each term is defined in the employment agreement), Mr. Borgen will only be entitled to receive earned but unpaid base salary and unreimbursed business expenses and any other payments or benefits to which he is entitled under any applicable compensation arrangement or other benefit plan or agreement. Our obligation to provide Mr. Borgen with any severance payments or other benefits under his employment agreement is conditioned on Mr. Borgen signing a release of claims in our favor.

Mr. Jevin Eagle and Ms. Kathie Lindemann. The employment agreement with each of Mr. Eagle and Ms. Lindemann provided for a base salary, a target and maximum performance bonus, as a percentage of base salary, as well as severance payments upon certain terminations of employment. The employment agreement with each of Mr. Eagle and Ms. Lindemann provided that if the executive's employment was terminated by us without cause or by the executive for good reason (as each term is defined in the executive's employment agreement) the executive would be entitled to continued payment of his or her base salary for a period of six months following such termination of employment. In addition, upon a change in control or a liquidation of the Company, the stock option granted to each executive pursuant to the executive's employment agreement would have become fully vested if the executive had been employed on the closing date of such event or if the executive's employment had been terminated without cause or the executive had resigned for good reason within the 90-day period prior to such date. Under the employment agreement with each executive, if the executive's employment had been terminated by us for cause or by the executive without good reason (as such terms are defined in the executive's employment agreement), the executive would have been entitled only to receive earned but unpaid base salary and unreimbursed business expenses and any other payments or benefits to which the executive

would have been entitled under any applicable compensation arrangement or other benefit plan or agreement.

Upon Mr. Eagle's termination of employment in April 2014, and Ms. Lindemann's termination of employment in September 2014, each executive became entitled to the severance payments provided under his or her employment agreement in connection with a termination of employment without cause, described above. In addition, Ms. Lindemann received a lump sum payment of \$7,500 for outplacement services. The provision of these severance payments was subject to each executive signing an agreement that included a release of claims in our favor and, in the case of Ms. Lindemann, obligations related to non-disparagement, confidentiality, non-competition and non-solicitation of customers and employees.

Retirement Plans

We do not maintain any qualified or non-qualified defined benefit plans or supplemental executive retirement plans that cover our Named Executive Officers.

Director Service Contracts and Compensation

There are no arrangements or understandings between us and any of our subsidiaries, on the one hand, and any of our non-employee directors, on the other hand, providing for benefits upon termination of their employment of service as directors of our Company or any of our subsidiaries. In fiscal 2013, as compensation for service on our board of directors, we granted Mr. San Juan an option to purchase 32,514 our common shares with an exercise price of \$1.23 per share and an expiration date of February 22, 2020, which fully vested in April 2013. Mr. San Juan no longer serves on our board of directors. No other compensation was paid to our directors for service on our board of directors for fiscal 2013. In fiscal 2014, as compensation for service on our board of directors, we have granted certain of our directors options to purchase our common shares. In addition, we reimburse our directors for the reasonable costs and expenses they incur in connection with attending meetings of our board of directors and its committees.

Our board of directors intends to adopt a non-employee director compensation policy in connection with this offering. The non-employee director compensation policy is expected to be designed to enable us to attract and retain, on a long-term basis, highly qualified non-employee directors (i.e., a director who is not also an officer or employee of the Company). Certain elements contemplated under the policy may include: annual retainers, meeting attendance fees, fees for services rendered as members or chairs of various committees designated by our board of directors and the reimbursement of all reasonable out-of-pocket expenses incurred by our non-employee directors in connection with their services rendered to us as non-employee directors.

Indemnification and Insurance

We intend to maintain director and officer liability insurance and will enter into indemnification agreements with each of our non-executive directors. The indemnification agreements will require that we indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to the Company as directors and officers, provided that the indemnitees acted honestly and in good faith and in a manner the indemnitees reasonably believed to be in our best interests and, with respect to criminal and administrative actions or proceedings that are enforced by monetary penalty, the indemnitees had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements will also provide for the advancement of defense expenses to the indemnitees by us.

SECURITY OWNERSHIP OF BENEFICIAL OWNERS AND MANAGEMENT

The following table and accompanying footnotes set forth information relating to the beneficial ownership of our common shares as of November 1, 2014, assuming the conversion of our outstanding Junior Preferred Shares, Series A Preferred Shares, Series A-1 Preferred Shares and Series A-2 Preferred Shares and the exchange of our outstanding Class AA Common Shares into 12,604,363 common shares upon the completion of this offering, by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our outstanding common shares;
- each of our directors;
- each of our named executive officers;
- each selling shareholder; and
- all directors and executive officers as a group.

Our major shareholders do not have voting rights that are different from our shareholders in general.

Beneficial ownership is determined in accordance with SEC rules. In general, under these rules a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares voting power or investment power with respect to such security. A person is also deemed to be a beneficial owner of a security if that person has the right to acquire beneficial ownership of such security within 60 days. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all common shares held by that person. Our common shares that a person has the right to acquire within 60 days of November 1, 2014 are deemed outstanding for purposes of computing the percentage ownership of such person holding, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all directors and executive officers as a group. As of November 1, 2014, 2,811,936 shares were held by five United States holders of record.

Unless otherwise indicated below, the address for each beneficial owner listed is c/o DAVIDsTEA Inc., 5430 Ferrier, Mount-Royal, Québec, Canada, HP4 1M2.

Name of beneficial owner	Shares Beneficially Owned Before the Offering		Shares Offered Hereby (no Option Exercise)	Shares Beneficially Owned After the Offering (no Option Exercise)	
	Number of shares	Percentage of shares	Number of shares	Number of shares	Percentage of shares
Beneficial Owners of More than 5% of our Common Shares and/or Selling Shareholders:					
Entities affiliated with Highland Consumer Partners(1)	2,625,194	20.8%			
Rainy Day Investments Ltd.(2)	8,004,174	63.5%			
David Segal	1,441,341	11.4%			
Other Selling Shareholders:					
Chip Wilson(3)	186,742	1.5%			
Named Executive Officers and Directors:					
Sylvain Toutant	55,249	*			
Luis Borgen(4)	130,057	1.0%			
Pierre Michaud(5)	149,652	1.2%			
Emilia Di Raddo(6)	7,599	*			
Tom Folliard(7)	63,776	*			
David W. McCreight(8)	20,309	*			
Lorenzo Salvaggio	—	—			
Guy Savard(9)	20,309	*			
Herschel Segal(2)	8,004,174	63.5%			
Sarah Segal	—	—			
Thomas Stemberg(1)	2,625,194	20.8%			
All executive officers and directors as a group (15 persons)(10)	12,523,910	98.0%			

* represents less than 1%.

- (1) Consists of (i) 2,107,867 common shares issuable upon conversion of preferred shares held by Highland Consumer Fund I, LP ("Fund I"), (ii) 449,727 common shares issuable upon conversion of preferred shares held by Highland Consumer Fund I-B, LP ("Fund I-B"), and (iii) 67,600 common shares issuable upon conversion of preferred shares held by Highland Consumer Entrepreneurs Fund I LP ("Entrepreneurs Fund", and together with Fund I and Fund I-B, the "Highland Entities"). Highland Consumer GP Limited Partnership is the general partner of each of the Highland Entities. Highland Consumer GP GP LLC ("HC GP GP") is the general partner of Highland Consumer GP Limited Partnership. Thomas Stemberg, one of our directors, and Peter Cornetta are the managing members of HC GP GP and share voting and investment power over the shares held by the Highland Entities. The principal business address for the Highland Entities is One Broadway, 16th Floor, Cambridge, Massachusetts 02142.
- (2) Rainy Day Investments Ltd. ("Rainy Day") is wholly owned by Herschel Segal, who holds voting and investment control over the shares held by Rainy Day. The principal business address for Rainy Day is 5695 Ferrier, Mount-Royal, Québec, Canada, H4P 1N1.
- (3) Consists of 186,742 common shares issuable on conversion of preferred shares held by Hold It All Inc. (f/k/a Whil Concepts Inc.), an investment vehicle wholly owned by Mr. Wilson and Mr. Wilson's wife. The principal business address for Mr. Wilson is Suite 600, 21 Water Street, Vancouver, British Columbia, Canada, V6B 1A1.
- (4) Consists of options to purchase 130,057 common shares held by Mr. Borgen.

- (5) Consists of 112,354 common shares issuable on conversion of preferred shares held by Capital GVR Inc., an investment vehicle wholly owned by Mr. Michaud and options to purchase 37,298 common shares held by Mr. Michaud.
- (6) Consists of options to purchase 7,599 common shares held by Ms. Di Raddo.
- (7) Consists of 56,177 common shares issuable on conversion of shares of preferred stock beneficially owned by Mr. Folliard through a family trust and options to purchase up to 7,599 common shares held by Mr. Folliard.
- (8) Consists of 20,309 common shares issuable on conversion of shares of preferred stock held by Mr. McCreight.
- (9) Consists of 20,309 common shares issuable on conversion of shares of preferred stock held by Mr. Savard.
- (10) Includes options to purchase up to 188,803 common shares exercisable within 60 days of November 1, 2014.

RELATED PARTY TRANSACTIONS

Arrangements with Our Investors

We have entered into an amended and restated voting agreement, an amended and restated right of first refusal and co-sale agreement and an amended and restated investors' rights agreement with certain of our shareholders.

Voting Agreement

We entered into an amended and restated voting agreement with certain of our shareholders in February 2014, which was amended in December 2014 in connection with the issuance of our Series A-2 Preferred Shares. The voting agreement sets the size of our board of directors at ten. The agreement grants certain investment funds affiliated with Highland Consumer Fund, or Highland, the right to name representatives to our board of directors. Highland has the right to designate two nominees for election to our board of directors until such time that it transfers, other than to us or its affiliates, more than 806,951 Series A Preferred Shares, and then the right to nominate one director for election to our board of directors until such time that it transfers, other than to us or its affiliates, more than 1,613,902 Series A Preferred Shares. The agreement grants the right to Rainy Day to designate four nominees for election to our board of directors, or five if Highland only has the right to designate one representative, provided that when the founders (as defined therein) in the aggregate own less than a majority of the outstanding common shares, but more than 5% of such shares, Rainy Day shall be entitled to designate the number of representatives that equals a proportion of the members of board of directors equal to the founders' proportionate ownership of common shares then outstanding rounded to the nearest whole number. The agreement also provides that the chief executive officer shall be a director. In addition, the agreement provides that three independent directors shall also serve on the board. Each independent director is to be selected through a process in which Rainy Day proposes candidates to Highland, after which Highland shall indicate which individuals should be approached by Rainy Day and Highland. Thereafter, Rainy Day and Highland interview the individuals they believe are ready and interested to serve on the board of directors. Highland then communicates to Rainy Day those individuals interviewed that it deems acceptable and Rainy Day shall select from that list of individuals. One of the independent directors, as agreed by Rainy Day and Highland, shall serve as the chair of the board of directors, so long as the individual remains involved with the Company and maintains an investment in the Company, directly or indirectly, equal to at least \$500,000.

The agreement also provides for certain drag-along rights in connection with a sale of our Company and certain restrictions on the ability to participate in the sale of the Company unless certain conditions are met. We expect that the voting agreement will terminate in connection with the consummation of this offering.

Right of First Refusal and Co-Sale Agreement

We also entered into an amended and restated right of first refusal and co-sale agreement with certain of our shareholders in February 2014, which was amended in December 2014 in connection with the issuance of our Series A-2 Preferred Shares. Under the terms of the agreement, our Company has been granted a right of first refusal to purchase shares from each shareholder proposing to make a proposed transfer of shares on the same terms and conditions as the proposed transfer. If we do not purchase any or all of the shares subject to transfer, certain of our shareholders are granted a right of secondary refusal under the agreement to acquire the shares on the same terms and conditions as the proposed transfer. If any of the shares subject to the proposed transfer have not been claimed, the shareholders who had fully exercised their secondary refusal right may purchase all or any part of the balance of the remaining unsubscribed shares.

The agreement also provides that if any shares remain unsubscribed and are to be sold to a prospective transferee, certain shareholders may elect to participate on a pro rata basis in the proposed transfer on the same terms and conditions as the prospective transferee. The agreement prohibits the transfer of shares to any entity which, in the determination of our board of directors, directly or indirectly competes with the Company or to any customer, distributor or supplier of our Company that, in the view of the board of directors, would result in such transferee receiving information that would place the Company at a competitive disadvantage with respect to that transferee. We expect that the agreement will terminate in connection with the consummation of this offering.

Investors' Rights Agreement

In February 2014, in connection with the issuance of our Series A-1 Preferred Shares, we entered into an amended and restated investors' rights agreement, which was amended in December 2014 in connection with our issuance of our Series A-2 Preferred Shares. The agreement contains provisions related to registration rights, information and observation rights, rights to future share issuances and approval rights by certain investors and/or their board designees. In particular, so long as Rainy Day has not transferred more than one-third of the common shares it held as of December 15, 2014, calculated on an as converted basis, we may not, without Rainy Day's prior written approval, amend, alter or repeal our articles of incorporation or bylaws, issue new securities, including in an initial public offering, or acquire or agree to acquire any business, among other things. Upon the consummation of this offering, the information and observation rights, rights to future share issuance and approval rights will terminate.

Subject to certain conditions, holders of 20% or more of the Investor Registrable Shares or 20% or more of the Rainy Day Registrable Securities (as those terms are defined in the agreement) have the right to demand that we register under the Securities Act or under Canadian securities laws all or a portion of such shareholder or shareholders' Registrable Securities at our expense. Such rights become effective at the earlier of April 3, 2015 or 180 days after the effective date of a registration statement completed under the United States securities laws or a final prospectus completed under Canadian securities laws. Upon the exercise of this right, we must give notice to all other parties who then hold registrable securities, as defined in the agreement, to permit them to participate in the offering.

In addition, if we propose to register our common shares under the Securities Act or under any Canadian securities laws, we must give prompt notice to each holder of registrable securities of our intent to do so and each such holder has piggyback registration rights and is entitled to include any part of its registrable securities in such registration, subject to certain conditions.

Finally, if we become eligible to use a shelf registration statement on Form S-3 or Form F-3, holders of registrable securities may demand that we file a Form S-3, F-3 or S-10 registration statement with respect to any or a portion of such holder's registrable securities having an anticipated aggregate offering price, net of all underwriting discounts, selling commissions, share transfer taxes and certain other expenses, of at least \$1 million. Upon receiving notice of such a demand, we must notify all other holders to permit them to exercise piggyback registration rights with respect to such demand.

We expect that, in connection with the consummation of this offering, most of the rights of described in the Investors' Rights Agreement will terminate, and only the registration rights described above will continue.

Shareholder Loan

On April 3, 2012, we entered into a loan agreement with Rainy Day, our majority shareholder, which we refer to as the Shareholder Loan. Under the terms of the Shareholder Loan, we were provided with a non-revolving loan in the amount of approximately \$8.7 million, which resulted from an original loan amount of approximately \$16.2 million, which was reduced by approximately \$7.5 million in connection with the sale and issuance of 1,396,648 Series A Preferred Shares to Rainy Day on April 3, 2012. The Shareholder Loan bears an interest rate of 4.5% per annum on the daily unpaid balance of the outstanding loan. The interest is payable on the last business day of each calendar year until the first principal payment date, at which time all accrued but unpaid interest is payable on the payment date for such principal. On February 24, 2014, we entered into a share subscription agreement with Rainy Day, pursuant to which we issued 258,836 Series A-1 Preferred Shares to Rainy Day Investments Ltd. for a subscription price of \$9.05 per share, which was paid for by a reduction in the principal of the loan in the amount of approximately \$2.3 million. On March 21, 2014, we entered into a share subscription agreement with Rainy Day, pursuant to which we issued 129,418 Series A-1 Preferred Shares to Rainy Day for a subscription price of \$9.05 per share, which was paid for by a reduction in the principal of the loan in the amount of approximately \$1.2 million. In addition, on December 15, 2014, we entered into a share subscription agreement with Rainy Day, pursuant to which we issued 84,580 Series A-2 Preferred Shares to Rainy Day for a subscription price of \$12.31 per share, which was paid for by a reduction in the principal on the loan in the amount of approximately \$1.0 million. As of December 15, 2014, the current balance of the loan was approximately \$2.9 million.

The principal is due in three equal annual installments, with one payment being due on each of the three dates on which we make annual redemption payments of our Series A Preferred Shares, which may not occur earlier than April 3, 2017. If the Series A Preferred Shares are not redeemed before April 3, 2020, the principal on the loan is due in three annual installments beginning on April 3, 2020. In the event of a closing of a qualified initial public offering, Rainy Day may, upon written notice to us, accelerate the maturity of the outstanding loan, whereupon the unpaid principal of and accrued interest on the outstanding loan shall become immediately due and payable in the amount of the outstanding loan equal to a portion of the unpaid principal of and accrued interest on the outstanding loan corresponding to the proportion of the outstanding shares held by Series A Preferred shareholders sold in the qualified initial public offering less the aggregate proceeds to the lender or its affiliates from the sale of shares in the qualified initial public offering. The remaining balance is due and payable in two equal installments on the first and second anniversaries of the closing of the qualified initial public offering. We may voluntarily prepay the loan, in whole or in part, at any time without any penalty or premium. We intend to use the proceeds from this offering to fully pay off the Shareholder Loan. See "Use of Proceeds."

Subscription Agreements

On April 3, 2012, in connection with a new round of financing of approximately \$18.5 million (the "Series A Preferred Share Offering"), we created a new class of Series A Preferred Shares and issued 3,445,065 Series A Preferred Shares from treasury at a price per share of \$5.37, allocated as follows: (i) 1,862,197 Series A Preferred Shares were issued to Highland for a total amount of approximately \$10.0 million, (ii) 186,220 Series A Preferred Shares were issued to Hold It All Inc. (f/k/a Whil Concepts Inc.) for a total amount of approximately \$1.0 million, and (iii) 1,396,648 Series A Preferred Shares were issued to Rainy Day for a total amount of approximately \$7.5 million, in the form of a reduction of the outstanding principal amount of the Shareholder Loan. Concurrently with the completion of the Series A Preferred Share Offering, (i) 6,000,000 Class A common shares previously issued to Rainy Day were re-designated as 6,000,000 common shares, and these were subsequently exchanged by Rainy Day for 6,000,000 Junior Preferred Shares, (ii) 2,000,000 Class A

common shares previously issued to David Segal were re-designated as 2,000,000 common shares, and these were subsequently exchanged by David Segal for 2,000,000 Series A Preferred Shares. Out of the 2,000,000 Series A Preferred Shares then held by David Segal, 558,659 were transferred by David Segal to Highland for a total amount of approximately \$3.0 million, and the remaining 1,441,341 Series A Preferred Shares were exchanged for 1,441,341 Junior Preferred Shares.

On February 24, 2014, we entered into subscription agreements to sell Series A-1 Preferred Shares to certain of our principal investors and the Chairman of our board of directors, Pierre Michaud. We sold 84,715 Series A-1 Preferred Shares to Highland, 258,836 Series A-1 Preferred Shares to Rainy Day and 110,498 Series A-1 Preferred Shares to Capital GVR Inc., an entity controlled by Mr. Michaud, for a subscription price of \$9.05 per share.

On February 24, 2014, we issued 134,273 options to Mr. Michaud with an exercise price of \$5.33 per share.

In addition, on March 21, 2014, we entered into subscription agreements to sell Series A-1 Preferred Shares to certain of our principal investors and Thomas J. Folliard, IV Marital Deduction Trust uad 8/1/2011 (the "Folliard Trust"), which is controlled by Mr. Folliard, a member of our board of directors. We agreed to sell 55,249 Series A-1 Preferred Shares to the Folliard Trust, 42,357 Series A-1 Preferred Shares to Highland and 129,418 Series A-1 Preferred Shares to Rainy Day, for a subscription price of \$9.05 per share.

On March 3, 2014, we issued 30,397 options each to Mr. Folliard and Ms. Di Raddo, also each a member of our board of directors, to purchase common shares with an exercise price of \$5.33 per share.

On June 2, 2014, we entered into subscription agreements to sell Series A-1 Preferred Shares to certain of our principal investors, certain entities controlled by members of our board of directors and an entity controlled by our Chief Executive Officer. We sold 55,249 Series A-1 Preferred Shares to 9222-2116 Québec Inc., an entity controlled by Mr. Toutant, 42,803 Series A-1 Preferred Shares to Highland, 130,780 Series A-1 Preferred Shares to Rainy Day, 928 Series A-1 Preferred Shares to the Folliard Trust and 1,856 Series A-1 Preferred Shares to Capital GVR Inc., for a subscription price of \$9.05 per share.

In connection with Mr. Toutant joining our Company as Chief Executive Officer, we issued 364,760 options to purchase common shares at an exercise price of \$6.80 per share on June 2, 2014.

On December 15, 2014, in connection with the appointment of Messrs. Savard and McCreight to our board of directors, we entered into subscription agreements to sell Series A-2 Preferred Shares to certain of our principal investors and Messrs. Savard and McCreight. We agreed to sell 27,682 Series A-2 Preferred Shares to Highland, 84,580 Series A-2 Preferred Shares to Rainy Day, 20,309 Series A-2 Preferred Shares to Mr. McCreight and 20,309 Series A-2 Preferred Shares to Mr. Savard, for a subscription price of \$12.31 per share. In addition, we issued 31,101 options each to Messrs. McCreight and Savard to purchase common shares with an exercise price of \$6.89 per share.

Related Party Leases

During the past three years, we have leased certain office, retail and storage space from Le Chateau Inc., a publicly traded clothing retailer, which is controlled by our co-founder, board member and affiliate of one of our principal shareholders, Herschel Segal.

On June 18, 2008, we entered in a license agreement with Le Chateau Inc. to sublease 758 square feet of retail space in Toronto. Under the terms of the lease, we are required to pay

\$91,718 per year plus applicable taxes. The initial term expired on September 30, 2011 and we exercised our option to renew the lease for a period of two years commencing on October 1, 2011. The term was further extended on May 2, 2013 to July 31, 2014.

On February 14, 2011, we entered into a month to month tenancy agreement with Le Chateau Inc. to lease 9,619 square feet of office space in Montréal, which commenced on April 1, 2011. Under the terms of the agreement, we paid \$6,250 per month plus applicable taxes. The month to month tenancy terminated on June 15, 2013.

On April 26, 2012, we entered in an agreement of sublease with Le Chateau Inc. The leased property is for 750 square feet of retail store space and 182 square feet of storage space in Montréal. Under the terms of the lease, we pay \$145,700 in rent to Le Chateau Inc. each year and we pay for utilities, applicable taxes and other typical expenses. The lease terminates on January 31, 2018.

On May 28, 2012, we entered into a storage agreement with Le Chateau Inc. for 90 square feet of storage space for an initial term commencing on June 1, 2012 and ending on January 31, 2013. Under the terms of the agreement, we pay \$150 per month plus applicable taxes. The agreement was extended for an additional one-year term ending on January 31, 2014 and commencing on February 1, 2014, we extended the agreement on a month to month basis.

Employment Arrangement with David Segal

Our Chief Brand and Innovation Officer, David Segal, is a principal shareholder of our Company and is a first cousin of Herschel Segal, our co-founder, a director and a principal shareholder. Pursuant to the terms of Mr. Segal's employment arrangement with us, Mr. Segal receives a base salary of US\$264,963 per year, is eligible to participate, together with his family, in our health plan and accrues vacation time. If Mr. Segal's employment is terminated by us without cause, Mr. Segal will be entitled to four months' salary to be paid in monthly installments over the four-month period following his termination. If Mr. Segal's employment is terminated by us for cause, he is entitled only to amounts owed to him at the time of termination.

DESCRIPTION OF SHARE CAPITAL

General

The following is a summary of the terms of our common shares and preferred shares, as set forth in our articles of incorporation, as amended, and as they will be amended and restated in connection with this offering, and certain related sections of the CBCA. The following summary is subject to, and is qualified in its entirety by reference to, the provisions of our amended and restated articles of incorporation, the form of which is filed as an exhibit to the registration statement of which this prospectus forms part. You may obtain copies of our amended and restated articles of incorporation as described under "Where You Can Find More Information" in this prospectus.

As of December 15, 2014, we had:

- 32,514 common shares issued and outstanding, which were held by one shareholder of record;
- 50,000 Class AA Common Shares issued and outstanding, which were held by one shareholder of record;
- 7,441,341 Junior Preferred Shares issued and outstanding, which were held by two shareholders of record;
- 4,003,724 Series A Preferred Shares issued and outstanding, which were held by five shareholders of record;
- 912,689 Series A-1 Preferred Shares issued and outstanding, which were held by seven shareholders of record; and
- 152,880 Series A-2 Preferred Shares issued and outstanding, which are held by four shareholders of record.

Upon the closing of this offering, all of our issued and outstanding Junior Preferred Shares, Series A Preferred Shares, Series A-1 Preferred Shares and Series A-2 Preferred Shares will automatically convert into and all of our outstanding Class AA Common Shares will be automatically exchanged for common shares.

Share Capital

Effective upon the closing of this offering, we will amend and restate our articles of incorporation such that our share capital will consist of an unlimited number of common shares, each without par value and an unlimited number of preferred shares, issuable in series, each without par value. Immediately following the closing of this offering, we expect to have common shares issued and outstanding and no preferred shares issued and outstanding. The following description of our share capital is intended as a summary only and is qualified in its entirety by reference to our articles of incorporation and our bylaws, as amended and restated in connection with the closing of this offering and forms of which are filed as exhibits to the registration statement of which this prospectus forms part, and to the applicable provisions of the CBCA. The following information also assumes that all of our preferred shares have been converted into and all of our Class AA Common Shares have been exchanged for common shares in accordance with their terms.

Common Shares

Under our amended and restated articles of incorporation to be in effect upon the closing of this offering, the holders of our common shares will be entitled to one vote for each share held at

any meeting of the shareholders. Subject to the prior rights of the holders of our preferred shares, the holders of our common shares will be entitled to receive dividends as and when declared by our board of directors. See the section entitled "Dividend Policy". Subject to the prior payment to the holders of our preferred shares, in the event of our liquidation, dissolution or winding-up or other distribution of our assets among our shareholders, the holders of our common shares will be entitled to share pro rata in the distribution of the balance of our assets. Holders of common shares will have no pre-emptive or conversion rights or other subscription rights. There will be no redemption or sinking fund provisions applicable to our common shares. There will be no provision in our articles requiring holders of common shares to contribute additional capital, or permitting or restricting the issuance of additional securities or any other material restrictions. The rights, preferences and privileges of the holders of common shares will be subject to and may be adversely affected by, the rights of the holders of any series of preferred shares that we may designate in the future.

Preferred Shares

Upon or immediately prior to the closing of this offering, our articles of incorporation will be amended and restated to delete all references to our Junior Preferred Shares, Series A Preferred Shares, Series A-1 Preferred Shares and Series A-2 Preferred Shares. Under our amended and restated articles of incorporation, we will be authorized to issue, without shareholder approval, an unlimited number of preferred shares, issuable in one or more series, and, subject to the provisions of the CBCA, having such designations, rights, privileges, restrictions and conditions, including dividend and voting rights, as our board of directors may determine, and such rights and privileges, including dividend and voting rights, may be superior to those of the common shares. The issuance of preferred shares, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change of control of our company and might adversely affect the market price of our common shares and the voting and other rights of the holders of common shares. We have no current plan to issue any preferred shares.

Exchange of Class AA Common Shares

All of our 50,000 issued and outstanding Class AA Common Shares will automatically be exchanged into 50,000 common shares upon completion of this offering on a 1-for-1 basis.

Conversion of Junior Preferred Shares

All of our 7,441,341 issued and outstanding Junior Preferred Shares will automatically convert into common shares upon completion of this offering.

Conversion of Series A Preferred Shares

All of our 4,003,724 issued and outstanding Series A Preferred Shares will automatically convert into common shares upon completion of this offering.

Conversion of Series A-1 Preferred Shares

All of our 912,689 issued and outstanding Series A-1 Preferred Shares will automatically convert into common shares upon completion of this offering.

Conversion of Series A-2 Preferred Shares

All of our 152,880 issued and outstanding Series A-2 Preferred Shares will automatically convert into common shares upon completion of this offering.

Assuming the expected exchange of our Class AA Common Shares and our preferred shares as described above, an aggregate of common shares will be issued and outstanding immediately prior to the issuance of the common shares pursuant to this offering.

Options

Under the Equity Incentive Plan, as amended from time to time, as of October 25, 2014, we have granted 1,678,828 options to purchase our common shares to certain of our current and former executive officers, directors, employees and consultants.

History of Securities Issuances

Since December 1, 2011, the following events have changed the number and classes of our issued and outstanding shares:

- On April 3, 2012, in connection with a new round of financing of approximately \$18.5 million (the "Series A Preferred Share Offering"), we created a new class of Series A Preferred Shares and issued 3,445,065 Series A Preferred Shares from treasury at a price per share of \$5.37, allocated as follows: (i) 1,862,197 Series A Preferred Shares were issued to certain investment funds affiliated with Highland Consumer Fund, or Highland, for a total amount of approximately \$10.0 million, (ii) 186,220 Series A Preferred Shares were issued to Hold It All Inc. (f/k/a Whil Concepts Inc.) for a total amount of approximately \$1.0 million, and (iii) 1,396,648 Series A Preferred Shares were issued to Rainy Day for a total amount of approximately \$7.5 million, in the form of a reduction of the outstanding principal amount of the Shareholder Loan. Concurrently with the completion of the Series A Preferred Share Offering, (i) 6,000,000 Class A common shares previously issued to Rainy Day were re-designated as 6,000,000 common shares, and these were subsequently exchanged by Rainy Day for 6,000,000 Junior Preferred Shares, (ii) 2,000,000 Class A common shares previously issued to David Segal were re-designated as 2,000,000 common shares, and these were subsequently exchanged by David Segal for 2,000,000 Series A Preferred Shares. Out of the 2,000,000 Series A Preferred Shares then held by David Segal, 558,659 were transferred by David Segal to Highland for a total amount of approximately \$3.0 million, and the remaining 1,441,341 Series A Preferred Shares were exchanged for 1,441,341 Junior Preferred Shares.
- On January 24, 2014, 32,514 common shares were issued to Javier San Juan pursuant to an exercise of options then held by him for approximately \$40,000.
- On February 24, 2014, we created a new class of preferred shares, the Series A-1 Preferred Shares, and issued 454,049 Series A-1 Preferred Shares at a price per share of \$9.05 for an aggregate consideration of approximately \$4.1 million, allocated as follows: (i) 110,498 Series A-1 Preferred Shares issued to Capital GVR Inc. for a total amount of approximately \$1.0 million, (ii) 258,836 Series A-1 Preferred Shares issued to Rainy Day for a total amount of approximately \$2.3 million, in the form of a reduction of the outstanding principal amount of the Shareholder Loan, and (iii) 84,715 Series A-1 Preferred Shares issued to Highland for approximately \$0.8 million.
- On March 21, 2014, we issued an additional 227,024 Series A-1 Preferred Shares at a price per share of \$9.05 for an aggregate consideration of approximately \$2.0 million, allocated as follows: (i) 55,249 Series A-1 Preferred Shares issued to Thomas J. Folliard, IV Marital Deduction Trust uad 8/1/2011 ("Folliard Trust") for a total amount of approximately \$0.5 million, (ii) 129,418 Series A-1 Preferred Shares issued to Rainy Day for a total amount of approximately \$1.2 million, in the form of a reduction of the outstanding principal amount

of the Shareholder Loan, and (iii) 42,357 Series A-1 Preferred Shares issued to Highland for approximately \$0.4 million.

- On May 8, 2014, 1,250 common shares were issued pursuant to an exercise of options then held by the option holder for a total amount of \$1,538, which common shares were subsequently purchased by us for cancellation for \$6,338.
- On June 2, 2014, we issued an additional 231,616 Series A-1 Preferred Shares at a price per share of \$9.05 for an aggregate consideration of approximately \$2.1 million, allocated as follows: (i) 55,249 Series A-1 Preferred Shares issued to 9222-2116 Québec Inc. for a total amount of approximately \$0.5 million, (ii) 130,780 Series A-1 Preferred Shares issued to Rainy Day for a total amount of approximately \$1.2 million, in the form of a reduction of the outstanding principal amount of the Shareholder Loan, (iii) 42,803 Series A-1 Preferred Shares issued to Highland for a total amount of approximately \$0.4 million, (iv) 1,856 Series A-1 Preferred Shares issued to Capital GVR Inc. for a total amount of \$16,797, and (v) 928 Series A-1 Preferred Shares issued to Folliard Trust for a total amount of \$8,398.
- On September 30, 2014, we issued 50,000 Class AA Common Shares to Mogey Inc. at a price per share of \$6.89 in consideration for services rendered to us by Mogey Inc.
- On December 15, 2014, we created a new class of preferred shares, the Series A-2 Preferred Shares, and issued 152,880 Series A-2 Preferred Shares at a price per share of \$12.31 for an aggregate consideration of approximately \$1.9 million, allocated as follows: (i) 20,309 Series A-2 Preferred Shares issued to David McCreight for a total amount of approximately \$0.3 million, (ii) 20,309 Series A-2 Preferred Shares issued to Guy Savard for a total amount of approximately \$0.3 million, (iii) 84,580 Series A-2 Preferred Shares issued to Rainy Day for a total amount of approximately \$1.0 million in the form of a reduction of the outstanding principal amount of the Shareholder Loan, in satisfaction of its right of first refusal pursuant to the terms of our Investors' Rights Agreement, and (iv) 27,682 Series A-2 Preferred Shares issued to Highland for a total amount of approximately \$0.3 million, in satisfaction of its right of first refusal pursuant to the terms of our Investors' Rights Agreement.

Certain Important Provisions of Our Articles of Incorporation, Bylaws and the CBCA

The following is a summary of certain important provisions of our amended and restated articles of incorporation, our amended and restated bylaws and certain related sections of the CBCA. Please note that this is only a summary and is not intended to be exhaustive. This summary is subject to, and is qualified in its entirety by reference to, the provisions of our amended and restated articles of incorporation and amendments thereto, our bylaws and the CBCA.

Stated Objects or Purposes

Our articles of incorporation, as amended and restated in connection with this offering, do not contain stated objects or purposes and do not place any limitations on the business that we may carry on.

Directors

Power to vote on matters in which a director is materially interested. The CBCA states that a director must disclose to us, in accordance with the provisions of the CBCA, the nature and extent of an interest that the director has in a material contract or material transaction, whether made or proposed, with us, if the director is a party to the contract or transaction, is a director or an officer

or an individual acting in a similar capacity of a party to the contract or transaction, or has a material interest in a party to the contract or transaction.

A director who holds an interest in respect of any material contract or transaction into which we have entered or propose to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless the contract or transaction:

- relates primarily to the director's remuneration as a director, officer, employee or agent of us or an affiliate;
- is for indemnity or insurance otherwise permitted under the CBCA; or
- is with an affiliate.

Borrowing. Our amended and restated articles of incorporation and our amended and restated bylaws allow our directors, from time to time and on our behalf, to (a) borrow money from us, (b) issue, reissue, sell or pledge our debt obligations, (c) to the extent permitted under the CBCA, give, directly or indirectly, financial assistance to any person by means of a loan or a guarantee to secure the performance of an obligation, and (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any of our property, owned or subsequently acquired, and to secure any of our obligations.

Directors' power to determine the remuneration of directors. The CBCA provides that the remuneration of our directors, if any, may be determined by our directors subject to our amended and restated articles of incorporation and amended and restated bylaws. That remuneration may be in addition to any salary or other remuneration paid to any of our employees who are also directors.

Retirement or non-retirement of directors under an age limit requirement. Neither our amended and restated articles of incorporation nor the CBCA impose any mandatory age-related retirement or non-retirement requirement for our directors.

Number of shares required to be owned by a director. Neither our amended and restated articles of incorporation nor the CBCA provide that a director is required to hold any of our shares as a qualification for holding his or her office. Our board of directors has discretion to prescribe minimum share ownership requirements for directors.

Action Necessary to Change the Rights of Holders of Our Shares

Our shareholders can authorize the alteration of our articles of incorporation to create or vary the special rights or restrictions attached to any of our shares by passing a special resolution. However, a right or special right attached to any class or series of shares may not be prejudiced or interfered with unless the shareholders holding shares of that class or series to which the right or special right is attached consent by a separate special resolution. A special resolution means a resolution passed by: (a) a majority of not less than two-thirds of the votes cast by the applicable class or series of shareholders who vote in person or by proxy at a meeting, or (b) a resolution consented to in writing by all of the shareholders entitled to vote holding the applicable class or series of shares.

Shareholder Meetings

We must hold an annual general meeting of our shareholders at least once every year at a time and place determined by our board of directors, provided that the meeting must not be held later than 15 months after the preceding annual general meeting. A meeting of our shareholders may be held anywhere in Canada, or provided that shareholders agree, anywhere outside Canada.

Our directors may, at any time, call a meeting of our shareholders. Shareholders holding not less than 5% of our issued voting shares may also cause our directors to call a shareholders' meeting.

A notice to convene a meeting, specifying the date, time and location of the meeting, and, where a meeting is to consider special business, the general nature of the special business, must be sent to shareholders, to each director and the auditor not less than 21 days prior to the meeting, although, as a result of applicable securities laws, the time for notice is effectively longer. Under the CBCA, shareholders entitled to notice of a meeting may waive or reduce the period of notice for that meeting, provided applicable securities laws are met. The accidental omission to send notice of any meeting of shareholders to, or the non-receipt of any notice by, any person entitled to notice does not invalidate any proceedings at that meeting.

A quorum for meetings of shareholders shall be that the number of persons present in person or represented by proxy, who hold not less than a majority of the outstanding shares entitled to vote at the meeting. If a quorum is not present at the opening of any meeting of shareholders, the shareholders present or represented by proxy may adjourn the meeting to a fixed time and place but may not transact any further business.

Holders of our common shares are entitled to attend meetings of our shareholders. Except as otherwise provided with respect to any particular series of preferred shares, and except as otherwise required by law, the holders of our preferred shares are not entitled as a class to receive notice of, or to attend or vote at any meetings of our shareholders. Our directors, our secretary (if any), our auditor and any other persons invited by our Chairman or directors or with the consent of those at the meeting are entitled to attend any meeting of our shareholders but will not be counted in the quorum or be entitled to vote at the meeting unless he or she is a shareholder or proxyholder entitled to vote at the meeting.

Advance Notice Procedures and Shareholder Proposals

Under the CBCA, shareholders may make proposals for matters to be considered at the annual general meeting of shareholders. Such proposals must be sent to us in advance of any proposed meeting by delivering a timely written notice in proper form to our registered office in accordance with the requirements of the CBCA. The notice must include information on the business the shareholder intends to bring before the meeting.

In addition, our bylaws require that shareholders provide us with advance notice of their intention to nominate any persons, other than those nominated by management, for election to our board of directors at a meeting of shareholders.

These provisions could have the effect of delaying the nomination of certain persons for director that are favored by the holders of a majority of our outstanding voting securities.

Change of Control

Our amended and restated articles of incorporation do not contain any change of control limitations with respect to a merger, acquisition or corporate restructuring that involves us.

Limitation of Liability and Indemnification

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Transfer Agent and Registrar

The transfer agent and registrar for our common shares is .

Exchange Controls

There is no limitation imposed by Canadian law or by our amended and restated articles of incorporation on the right of a non-resident to hold or vote our common shares, other than discussed below.

Competition Act

Limitations on the ability to acquire and hold our common shares may be imposed by the Competition Act (Canada). This legislation permits the Commissioner of Competition, or Commissioner, to review any acquisition or establishment, directly or indirectly, including through the acquisition of shares, of control over or of a significant interest in us. This legislation grants the Commissioner jurisdiction, for up to one year after the acquisition has been substantially completed, to seek a remedial order, including an order to prohibit the acquisition or require divestitures, from the Canadian Competition Tribunal, which order may be granted where the Competition Tribunal finds that the acquisition substantially prevents or lessens, or is likely to substantially prevent or lessen, competition.

This legislation also requires any person or persons who intend to acquire more than 20% of our voting shares or, if such person or persons already own more than 20% of our voting shares prior to the acquisition, more than 50% of voting our shares, to file a notification with the Canadian Competition Bureau if certain financial thresholds are exceeded. Where a notification is required, unless an exemption is available, the legislation prohibits completion of the acquisition until the expiration of the applicable statutory waiting period, unless the Commissioner either waives or terminates such waiting period.

Investment Canada Act

The Investment Canada Act requires each "non Canadian" (as defined in the *Investment Canada Act*) who acquires "control" of an existing "Canadian business", to file a notification in prescribed form with the responsible federal government department or departments not later than 30 days after closing, provided the acquisition of control is not a reviewable transaction by Canadian authorities. Subject to certain exemptions, a transaction that is reviewable under the Investment Canada Act may not be implemented until an application for review has been filed and the responsible Minister of the federal cabinet has determined that the investment is likely to be of "net benefit to Canada" taking into account certain factors set out in the Investment Canada Act. Under the Investment Canada Act, an investment in our common shares by a non-Canadian who is a World Trade Organization member country investor, including a United States investor would be reviewable only if it were an investment to acquire control of us pursuant to the Investment Canada Act and the value of our assets (as determined pursuant to the Investment Canada Act) was equal to or greater than a specified amount, which varies annually. The specified threshold amount is \$354 million in 2014.

The Investment Canada Act contains various rules to determine if there has been an acquisition of control. For example, for purposes of determining whether an investor has acquired control of a corporation by acquiring shares, the following general rules apply, subject to certain exceptions: the acquisition of a majority of the undivided ownership interests in the voting shares of the corporation is deemed to be acquisition of control of that corporation; the acquisition of less than a majority, but one-third or more, of the voting shares of a corporation or of an equivalent undivided ownership interest in the voting shares of the corporation is presumed to be acquisition

of control of that corporation unless it can be established that, on the acquisition, the corporation is not controlled in fact by the acquirer through the ownership of voting shares; and the acquisition of less than one third of the voting shares of a corporation or of an equivalent undivided ownership interest in the voting shares of the corporation is deemed not to be acquisition of control of that corporation.

Under the new national security review regime in the *Investment Canada Act*, review on a discretionary basis may also be undertaken by the federal government in respect to a much broader range of investments by a non-Canadian to "acquire, in whole or part, or to establish an entity carrying on all or any part of its operations in Canada." No financial threshold applies to a national security review. The relevant test is whether such investment by a non-Canadian could be "injurious to national security." The federal government has broad discretion to determine whether an investor is a non-Canadian and therefore subject to national security review. Review on national security grounds is at the discretion of the Canadian government, and may occur on a pre- or post-closing basis.

Certain transactions relating to our common shares will generally be exempt from the *Investment Canada Act*, subject to the federal government's prerogative to conduct a national security review, including:

- a) the acquisition of our common shares by a person in the ordinary course of that person's business as a trader or dealer in securities;
- b) the acquisition of control of us in connection with the realization of security granted for a loan or other financial assistance and not for any purpose related to the provisions of the *Investment Canada Act*; and
- c) the acquisition of control of us by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of us, through ownership of our common shares, remains unchanged.

Other

There is no law, governmental decree or regulation in Canada that restricts the export or import of capital, or that would affect the remittance of dividends (if any) or other payments by us to non-resident holders of our common shares, other than withholding tax requirements.

Listing

We intend to apply for listing of our common shares on _____ under the symbol " _____."

COMPARISON OF SHAREHOLDER RIGHTS

We are a federally incorporated Canadian corporation. The following discussion summarizes material differences between the rights of holders of our common shares and the rights of holders of the common shares of a typical corporation incorporated under the laws of the state of Delaware, which result from differences in governing documents and the laws of Canada and Delaware. This summary is qualified in its entirety by reference to the Delaware General Corporation Law, or the DGCL, the CBCA, and our governing corporate statutes.

<u>Delaware</u>	<u>Canada</u>
Stockholder/Shareholder Approval of Business Combinations; Fundamental Changes	
<p>Under the DGCL, certain fundamental changes such as amendments to the certificate of incorporation, a merger, consolidation, sale, lease, exchange or other disposition of all or substantially all of the property of a corporation not in the usual and regular course of the corporation's business, or a dissolution of the corporation, are generally required to be approved by the holders of a majority of the outstanding stock entitled to vote on the matter, unless the certificate of incorporation requires a higher percentage.</p> <p>However, under the DGCL, mergers in which less than 20% of a corporation's stock outstanding immediately prior to the effective date of the merger is issued generally do not require stockholder approval. In addition, mergers in which one corporation owns 90% or more of each class of stock of a second corporation may be completed without the vote of the second corporation's board of directors or shareholders. In certain situations, the approval of a business combination may require approval by a certain number of the holders of a class or series of shares. In addition, Section 251(h) of the DGCL provides that stockholders of a constituent corporation need not vote to approve a merger if: (i) the merger agreement permits or requires the merger to be effected under Section 251(h) and provides that the merger shall be effected as soon as practicable following the tender offer or exchange offer, (ii) a corporation consummates a tender or exchange offer for any and all of the outstanding stock of such constituent corporation that would otherwise be entitled to vote to approve the merger, (iii) following the consummation of the offer, the stock accepted for purchase or exchanges plus the stock owned by the consummating corporation equals at least the percentage of stock that would be required to adopt the agreement of merger under the DGCL, (iv) the corporation consummating the offer merges with or into</p>	<p>Under the CBCA, certain fundamental changes such as amendments to the articles, certain by-law amendments, certain amalgamations (other than with certain affiliated corporations), continuances to another jurisdiction and sales, leases or exchanges of all or substantially all of the property of a corporation (other than in the ordinary course of business) and other extraordinary corporate actions such as liquidations, dissolutions and arrangements (if ordered by a court) are required to be approved by special resolution. A special resolution is a resolution (i) passed by not less than two-thirds of the votes cast by the shareholders who voted in respect of the resolution at a meeting duly called and held for that purpose or (ii) signed by all shareholders entitled to vote on the resolution. In certain cases, a special resolution to approve an extraordinary corporate action is also required to be approved separately by the holders of a class or series of shares, including in certain cases a class or series of shares not otherwise carrying voting rights (unless in certain cases the share provisions with respect to such class or series of shares otherwise provides).</p> <p>In addition, the CBCA provides that, where it is not practicable for a corporation (that is not an insolvent corporation) to effect such a fundamental change under any other provision contemplated under the CBCA, the corporation may apply to a court for an order approving an arrangement.</p> <p>In general, a plan of arrangement is approved by a corporation's board of directors and then is submitted to a court for approval. It is not unusual for a corporation in such circumstances to apply to court initially for an interim order governing various procedural matters prior to calling any security holder meeting to consider the proposed arrangement. The court determines to whom notice shall be given and whether, and in what manner, approval of any</p>

Delaware

such constituent corporation, and (v) each outstanding share of each class or series of stock of the constituent corporation that was the subject of and not irrevocably accepted for purchase or exchange in the offer is to be converted in the merger into, or the right to receive, the same consideration to be paid for the shares of such class or series of stock of the constituent corporation irrevocably purchased or exchanged in such offer.

The DGCL does not contain a procedure comparable to a plan of arrangement under the CBCA.

Canada

person is to be obtained, and also determines whether any shareholders may dissent from the proposed arrangement and receive payment of the fair value of their shares. Following compliance with the procedural steps contemplated in any such interim order (including as to obtaining security holder approval), the court would conduct a final hearing and approve or reject the proposed arrangement.

Subject to approval by the persons entitled to notice and to issuance of the final order, articles of arrangement are executed and filed by the corporation. The articles of arrangement must contain details of the plan, the court's approval and the manner in which the plan was approved, if so required by the court order. Finally, the articles of arrangement are filed with Industry Canada, which after such filing issues a certificate of arrangement. The arrangement becomes effective on the date shown in the certificate of arrangement. In addition, the CBCA provides that if, within 120 days after the date of a take-over bid made to shareholders of a corporation, the bid is accepted by the holders of not less than 90% of the shares (other than the shares held by the offeror or an affiliate of the offeror) of any class of shares to which the bid relates, the offeror is entitled to acquire, on the same terms on which the offeror acquired shares under the take-over bid, the shares held by those holders of shares of that class who did not accept the take-over bid.

Special Vote Required for Combinations with Interested Stockholders/Shareholders

Section 203 of the DGCL provides (in general) that a corporation may not engage in a business combination with an interested stockholder for a period of three years after the time of the transaction in which the person became an interested stockholder.

The prohibition on business combinations with interested stockholders does not apply in some cases, including if: (i) the board of directors of the corporation, prior to the time of the

The CBCA does not contain a provision comparable to Section 203 of the DGCL with respect to business combinations. However, in Canada, takeovers and other related party transactions are addressed in provincial securities legislation and policies which may apply to us.

In addition, *Multilateral Instrument 61-101 — Protection of Minority Security Holders in Special Transactions* ("MI 61-101") which is applicable

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transaction in which the person became an interested stockholder, approves (a) the business combination or (b) the transaction in which the stockholder becomes an interested stockholder; (ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or (iii) the board of directors and the holders of at least two-thirds of the outstanding voting stock not owned by the interested stockholder approve the business combination on or after the time of the transaction in which the person became an interested stockholder.

For the purpose of Section 203, the DGCL, subject to specified exceptions, generally defines an interested stockholder to include any person who, together with that person's affiliates or associates, (i) owns 15% or more of the outstanding voting stock of the corporation (including any rights to acquire stock pursuant to an option, warrant, agreement, arrangement or understanding, or upon the exercise of conversion or exchange rights, and stock with respect to which the person has voting rights only), or (ii) is an affiliate or associate of the corporation and owned 15% or more of the outstanding voting stock of the corporation at any time within the previous three years.

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to Canadian reporting issuers contains detailed requirements in connection with "related party transactions." A "related party transaction" as defined under MI61-101 means, generally, any transaction by which an issuer, directly or indirectly, consummates one or more specified transactions with a related party, including purchasing or disposing of an asset, issuing securities or assuming liabilities. "Related party" as defined in MI 61-101 includes (i) directors and senior officers of the issuer, (ii) holders of voting securities of the issuer carrying more than 10% of the voting rights attached to all the issuer's outstanding voting securities and (iii) holders of a sufficient number of any securities of the issuer to materially affect control of the issuer.

MI 61-101 requires, subject to certain exceptions, specific detailed disclosure in the proxy circular sent to security holders in connection with a related party transaction where a meeting is required and, subject to certain exceptions, the preparation of a formal valuation of the subject matter of the related party transaction and any non-cash consideration offered in connection therewith, and the inclusion of a summary of the valuation in the proxy circular. MI 61-101 also requires, subject to certain exceptions, that an issuer not engage in a related party transaction unless the disinterested shareholders of the issuer have approved the related party transaction by a simple majority of the votes cast.

Appraisal Rights; Rights to Dissent; Compulsory Acquisition

Under the DGCL, a stockholder of a corporation participating in some types of major corporate transactions may, under varying circumstances, be entitled to appraisal rights pursuant to which the stockholder may receive cash in the amount of the fair market value of his or her shares in lieu of the consideration he or she would otherwise receive in the transaction.

For example, a stockholder is entitled to

The CBCA provides that shareholders of a corporation are entitled to exercise dissent rights in respect of certain matters and to be paid the fair value of their shares in connection therewith. Such matters include: (i) an amalgamation with another corporation (other than with certain affiliated corporations); (ii) an amendment to the corporation's articles to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of

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appraisal rights in the case of a merger or consolidation if the shareholder is required to accept in exchange for the shares anything other than: (i) shares of stock of the corporation surviving or resulting from the merger or consolidation, or depository receipts in respect thereof; (ii) shares of any other corporation, or depository receipts in respect thereof, that on the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 shareholders; (iii) cash instead of fractional shares of the corporation or fractional depository receipts of the corporation; or (iv) any combination of the shares of stock, depository receipts and cash instead of the fractional shares or fractional depository receipts.

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shares of the class in respect of which a shareholder is dissenting; (iii) an amendment to the corporation's articles to add, change or remove any restriction on the business or businesses that the corporation may carry on; (iv) a continuance under the laws of another jurisdiction; (v) a sale, lease or exchange of all or substantially all the property of the corporation other than in the ordinary course of business; (vi) a court order permitting a shareholder to dissent in connection with an application to the court for an order approving an arrangement proposed by the corporation; (vii) the carrying out of a going-private transaction or a squeeze-out transaction; and (viii) certain amendments to the articles of a corporation which require a separate class or series vote by a holder of shares of any class or series entitled to vote on such matters, including in certain cases a class or series of shares not otherwise carrying voting rights; provided that, a shareholder is not entitled to dissent if any amendment to the articles is effected by a court order (a) approving a reorganization; or (b) made in connection with an action for an oppression remedy, described below.

Oppression Remedy

The CBCA provides an oppression remedy that enables a court to make any order, both interim and final, to rectify the matters complained of if the court is satisfied upon application by a complainant (as defined below) that certain acts or omissions by the corporation or an affiliate are oppressive or unfairly prejudicial to or that unfairly disregards the interests of any security holder, creditor, director or officer of the corporation.

A "complainant" means: (i) a present or former registered holder or beneficial owner of securities of a corporation or any of its affiliates; (ii) a present or former officer or director of the corporation or any of its affiliates; (iii) the "Director" appointed under the CBCA; or (iv) any other person who in the discretion of the court is a proper person to make such application.

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The oppression remedy provides the court with extremely broad and flexible jurisdiction to intervene in corporate affairs to protect shareholders and other complainants. While conduct that is in breach of fiduciary duties of directors or that is contrary to the legal right of a complainant will normally trigger the court's jurisdiction under the oppression remedy, the exercise of that jurisdiction does not depend on a finding of a breach of such legal and equitable rights. Furthermore, the court may order a corporation to pay the interim expenses of a complainant seeking an oppression remedy, but the complainant may be held accountable for such interim costs on final disposition of the complaint (as in the case of a derivative action — see "— Stockholder/Shareholder Lawsuits" below). The complainant is not required to give security for costs in an oppression action.

Compulsory Acquisition

In a compulsory acquisition, if a shareholder who did not accept the take-over bid does not receive an offeror's notice, with respect to a compulsory acquisition (as described under "— Stockholder/Shareholder Approval of Business Combinations; Fundamental Changes"), that shareholder may require the offeror to acquire those shares on the same terms under which the offeror acquired (or will acquire) the shares owned by the shareholders who accepted the take-over bid. It is worth noting that *National Instrument 62-104 — Take-Over Bids and Issuer Bids* would apply to a Canadian reporting issuer in the context of a compulsory acquisition.

Stockholder/Shareholder Consent to Action Without Meeting

Under the DGCL, unless otherwise provided in the certificate of incorporation, any action that can be taken at a meeting of the stockholders may be taken without a meeting if written consent to the action is signed by the holders of outstanding stock having not less than the minimum number of votes necessary to authorize or take the action at a meeting of the stockholders.

Under the CBCA, shareholder action without a meeting may be taken by written resolution signed by *all* shareholders who would be entitled to vote on the relevant issue at a meeting (other than where a written statement is submitted by a director or auditor giving reasons for resigning or for opposing any proposed action or resolution, in accordance with the CBCA).

Delaware**Canada****Special Meetings of Stockholders/Shareholders**

Under the DGCL, a special meeting of shareholders may be called by the board of directors or by such persons authorized in the certificate of incorporation or the bylaws.

Under the CBCA, the holders of not less than 5% of the issued shares of a corporation that carry the right to vote at the special meeting sought to be held may require that the directors call a meeting of shareholders. Upon meeting the technical requirements set out in the CBCA for making such a requisition, the directors of the corporation must call a meeting of shareholders. If the directors do not call such meeting within 21 days after receiving the requisition despite the technical requirements under the CBCA having been met, any shareholder who signed the requisition may call the special meeting. In addition, upon the consummation of this offering, we expect our bylaws will provide that the directors may call special meetings at any time. The bylaws will require shareholders wishing to nominate directors or propose business for a meeting of shareholders to give timely advance notice in writing as described under "Advance Notification Requirements for Proposals of Shareholders."

Distributions and Dividends; Repurchases and Redemptions

Under the DGCL, subject to any restrictions contained in the certificate of incorporation, a corporation may pay dividends out of capital surplus or, if there is no surplus, out of net profits for the current and/or the preceding fiscal year in which the dividend is declared, as long as the amount of capital of the corporation following the declaration and payment of the dividend is not less than the aggregate amount of the capital represented by issued and outstanding shares having a preference upon the distribution of assets. Surplus is defined in the DGCL as the excess of the net assets over capital, as such capital may be adjusted by the board.

Under the CBCA, dividends may be declared at the discretion of the board. A corporation may pay a dividend in money or property unless there are reasonable grounds for believing that: (i) the corporation is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes.

Under the CBCA, the purchase or other acquisition by a corporation of its shares is generally subject to solvency tests similar to those applicable to the payment of dividends, as set out above.

A Delaware corporation may purchase or redeem shares of any class except when its capital is impaired or would be impaired by the purchase or redemption. A corporation may, however, purchase or redeem out of capital shares that are entitled upon any distribution of its assets to a preference over another class or series of its shares if the shares are to be retired and the capital reduced.

Delaware**Canada****Vacancies on Board of Directors**

Under the DGCL, a vacancy or a newly created directorship may be filled by a majority of the directors then in office, although less than a quorum, or by the sole remaining director, unless otherwise provided in the certificate of incorporation or bylaws. Any newly elected director usually holds office for the remainder of the full term expiring at the annual meeting of stockholders at which the term of the class of directors to which the newly elected director has been elected expires.

The CBCA allows a vacancy on the board to be filled by a quorum of directors except when the vacancy results from an increase in the number of or minimum or maximum number of directors or from a failure to elect the number or minimum number of directors required by a corporation's articles. In addition, the CBCA authorizes a corporation's board to appoint one or more additional directors not to exceed the maximum number set forth in our articles, who shall hold office for a term expiring not later than the close of the next annual meeting of shareholders, but the total number of directors so appointed may not exceed one-third of the number of directors elected at the previous annual meeting of shareholders.

Constitution and Residency of Directors

The DGCL does not have residency requirements comparable to those of the CBCA, but a corporation may prescribe qualifications for directors under its certificate of incorporation or bylaws.

The CBCA provides that at least 25% of the directors (or if a corporation has less than four directors, at least one director) must be resident Canadians. Except as permitted by the CBCA, no business may be transacted by the board of directors except at a meeting of directors at which a quorum is present and at least 25% of the directors present, or able to provide approval of the business transacted at the meeting in writing, by telephone or other mean of communication, are resident Canadians or, if the corporation has less than four directors, at least one director present is a resident Canadian. There is no residency requirement with respect to board committees.

The CBCA also requires that a corporation whose securities are publicly traded have not fewer than three directors, at least two of whom are not officers or employees of the corporation or its affiliates.

Removal of Directors; Terms of Directors

Under the DGCL, except in the case of a corporation with a classified board or with cumulative voting, any director or the entire board may be removed, with or without cause, by the holders of a majority of the shares entitled to vote at an election of directors.

Under the CBCA, provided that articles of a corporation do not provide for cumulative voting, shareholders of the corporation may, by ordinary resolution passed at a special meeting, remove any director or directors from office.

If holders of a class or series of shares have the exclusive right to elect one or more directors, a director elected by them may only be removed by an ordinary resolution at a meeting of the shareholders of that class or series.

Delaware**Canada****Inspection of Books and Records**

Under the DGCL, any holder of record of stock or a person who is the beneficial owner of shares of such stock held either in a voting trust or by a nominee on behalf of such person may inspect the corporation's books and records for a proper purpose.

Under the CBCA, shareholders, creditors, and their representatives, after giving the required notice, may examine certain of the records of a corporation during usual business hours and take copies of extracts free of charge.

Amendment of Governing Documents

Under the DGCL, a certificate of incorporation may be amended if: (i) the board of directors adopts a resolution setting forth the proposed amendment, declares the advisability of the amendment and directs that it be submitted to a vote at a meeting of shareholders; provided that unless required by the certificate of incorporation, no meeting or vote is required to adopt an amendment for certain specified changes; and (ii) the holders of a majority of shares of stock entitled to vote on the matter approve the amendment, unless the certificate of incorporation requires the vote of a greater number of shares.

If a class vote on the amendment is required by the DGCL, a majority of the outstanding stock of the class is required, unless a greater proportion is specified in the certificate of incorporation or by other provisions of the DGCL.

Under the DGCL, the board of directors may amend a corporation's bylaws if so authorized in the certificate of incorporation. The shareholders of a Delaware corporation also have the power to amend bylaws.

Under the CBCA, any amendment to a corporation's articles generally requires shareholder approval by special resolution and in certain cases, shareholders are entitled to a class vote. The CBCA provides, however, that no rights, privileges, restrictions or conditions attached to a series of shares shall confer on a series a priority in respect of dividends or return of capital over any other series of shares of the same class that are then outstanding.

A board of directors may, by resolution, make, amend or repeal any bylaws that regulate the business or affairs of a corporation. Where the directors make, amend or repeal a by-law, they are required under the CBCA to submit the by-law, amendment or repeal to the shareholders at the next meeting of shareholders and the shareholders may confirm, reject or amend the by-law, amendment or repeal by an ordinary resolution, which is a resolution passed by a majority of the votes cast by shareholders who voted in respect of the resolution. If a by-law, amendment or repeal is rejected by shareholders, or the directors of a corporation do not submit a by-law, an amendment or a repeal to the shareholders at the next meeting of shareholders, then such by-law, amendment or repeal will cease to be effective and no subsequent resolution of the directors to make, amend or repeal a by-law having substantially the same purpose or effect is effective until it is confirmed or confirmed as amended by the shareholders.

Indemnification of Directors and Officers

Under the DGCL, subject to specified limitations in the case of derivative suits brought by a corporation's stockholders in its name, a corporation may indemnify any person who is made a party to any action, suit or proceeding on account of being a director, officer, employee or agent of the corporation (or was serving at the request of the corporation in such capacity for another corporation, partnership, joint venture, trust or other enterprise) against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action, suit or proceeding, provided that there is a determination that: (i) the individual acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation; and (ii) in a criminal action or proceeding, the individual had no reasonable cause to believe his or her conduct was unlawful. Without court approval, however, no indemnification may be made in respect of any derivative action in which an individual is adjudged liable to the corporation, except to the extent the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity.

The DGCL requires indemnification of directors and officers for expenses (including attorneys' fees) actually and reasonably relating to a successful defense on the merits or otherwise of a derivative or third-party action.

Under the DGCL, a corporation may advance expenses relating to the defense of any proceeding to directors and officers upon the receipt of an undertaking by or on behalf of the individual to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified.

Under the CBCA, a corporation may indemnify a director or officer, a former director or officer or a person who acts or acted at the corporation's request as a director or officer or an individual acting in a similar capacity of another entity (an "indemnifiable person"), against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal, administrative, investigative or other proceeding in which he or she is involved because of that association with the corporation or other entity, if: (i) the individual acted honestly and in good faith with a view to the best interests of such corporation (or the other entity, as the case may be); and (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the individual's conduct was lawful. An indemnifiable person may require the corporation to indemnify the individual in respect of all costs, charges and expenses reasonably incurred by the individual in connection with the defense of any civil, criminal, administrative, investigative or other proceeding to which the individual is subject because of the individual's association with the corporation (or other entity, as the case may be) if the individual was not judged by the court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done and the individual fulfills the conditions set out in (i) and (ii) above. A corporation may, with the approval of a court, also indemnify an indemnifiable person against all costs, charges and expenses in respect of an action by or on behalf of the corporation or other entity to procure a judgment in its favor, to which such person is made a party by reason of being or having been a director or an officer of the corporation or other entity, if he or she fulfills the conditions set forth in (i) and (ii), above.

Delaware**Canada****Limited Liability of Directors**

The DGCL permits the adoption of a provision in a corporation's certificate of incorporation limiting or eliminating the monetary liability of a director to a corporation or its shareholders by reason of a director's breach of the fiduciary duty of care. The DGCL does not permit any limitation of the liability of a director for: (i) breaching the duty of loyalty to the corporation or its shareholders; (ii) acts or omissions not in good faith; (iii) engaging in intentional misconduct or a known violation of law; (iv) obtaining an improper personal benefit from the corporation; or (v) paying a dividend or approving a stock repurchase that was illegal under applicable law.

The CBCA does not permit any limitation of a director's liability other than in connection with the adoption of a unanimous shareholder agreement that restricts certain powers of the directors. If such a unanimous shareholder agreement were adopted, the parties who are given the power to manage or supervise the management of the business and affairs of the corporation under such agreement assume all of the liabilities of a director under the CBCA.

Stockholder/Shareholder Lawsuits

Under the DGCL, a stockholder may bring a derivative action on behalf of the corporation to enforce the rights of the corporation; provided, however, that under Delaware case law, the plaintiff generally must be a stockholder not only at the time of the transaction which the subject of the suit, but through the duration of the derivative suit. Delaware law also requires that the derivative plaintiff make a demand on the directors of the corporation to assert the corporate claim before the suit may be prosecuted by the derivative plaintiff, unless such demand would be futile. An individual also may commence a class action suit on behalf of himself or herself and other similarly situated stockholders where the requirements for maintaining a class action have been met.

A complainant may apply to the court for leave to bring an action in the name of and on behalf of a corporation or any subsidiary, or to intervene in an existing action to which a corporation or its subsidiary is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of a corporation or its subsidiary. Under the CBCA, no action may be brought and no intervention in an action may be made unless a court is satisfied that: (i) the complainant has given the requisite notice to the directors of a corporation or its subsidiary of the complainant's intention to apply to the court if the directors do not bring, diligently prosecute or defend or discontinue the action; (ii) the complainant is acting in good faith; and (iii) it appears to be in the interests of a corporation or its subsidiary that the action be brought, prosecuted, defended or discontinued.

Under the CBCA, the court in a derivative action may make any order it determines to be appropriate. In addition, under the CBCA, a court may order a corporation or its subsidiary to pay the complainant's interim costs, including reasonable legal fees and disbursements. Although the complainant may be held accountable for the interim costs on final disposition of the complaint, he or she is not required to give security for costs in a derivative action. See "— Appraisal Rights; Rights to Dissent; Compulsory Acquisition" above for the definition of "complainant".

Delaware**Canada****Blank Check Preferred Stock/Shares**

Under the DGCL, the certificate of incorporation of a corporation may give the board the right to issue new classes of preferred shares with voting, conversion, dividend distribution, and other rights to be determined by the board at the time of issuance, which could prevent a takeover attempt and thereby preclude shareholders from realizing a potential premium over the market value of their shares.

In addition, Delaware law does not prohibit a corporation from adopting a shareholder rights plan, or "poison pill," which could prevent a takeover attempt and also preclude shareholders from realizing a potential premium over the market value of their shares.

As permitted under the CBCA, the articles of a corporation may permit the board to fix the number of preferred shares in, and determine the designation of the shares of, each series and create, define and attach rights and restrictions to preferred shares without additional shareholder approval.

In addition, neither the CBCA nor our articles restrict us from adopting a shareholder rights plan or a "poison pill" but it is worth noting that the application and enforceability of such measures for Canadian issuers differ from those in effect for their Delaware counterparts.

Advance Notification Requirements for Proposals of Stockholders/Shareholders

Delaware corporations typically have provisions in their bylaws that require a stockholder proposing a nominee for election to the board of directors or other proposals at an annual or special meeting of the stockholders to provide notice of any such proposals to the secretary of the corporation in advance of the meeting for any such proposal to be brought before the meeting of the stockholders. In addition, advance notice bylaws frequently require the stockholder nominating a person for election to the board of directors to provide information about the nominee, such as his or her age, address, employment and beneficial ownership of shares of the corporation's capital stock. The stockholder may also be required to disclose, among other things, his or her name, share ownership and agreement, arrangement or understanding with respect to such nomination.

For other proposals, the proposing stockholder is often required by the bylaws to provide a description of the proposal and any other information relating to such stockholder or beneficial owner, if any, on whose behalf that proposal is being made, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitation of proxies for the proposal and pursuant to and in accordance with the Exchange Act and the rules and regulations promulgated thereunder.

We expect that our bylaws, upon consummation of this offering, will require shareholders wishing to nominate directors or propose business for an annual meeting of shareholders to give timely advance notice in writing, as described in the bylaws.

Under the CBCA, proposals with respect to the nomination of candidates for election to the board of directors may be made by certain registered or beneficial holders of shares entitled to be voted at an annual meeting of shareholders. To be eligible to submit a proposal, a shareholder must be the registered or beneficial holder of, or have support of the registered or beneficial holders of, (i) at least 1% of the total number of outstanding voting shares of the corporation, or (ii) voting shares whose fair market value is at least \$2,000 and such registered or beneficial holder(s) must have held such shares for at least six months immediately prior to the day upon which the shareholder submits the proposal. In order for a proposal to include nominations of directors, it must be signed by one or more holders of shares representing not less than 5% of the shares (or shares of a class) entitled to vote at the special meeting.

A proposal under the CBCA must include the name and address of the person submitting the proposal, the names and addresses of the

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person's supporters (if applicable), the number of shares of the company owned by such persons and the date upon which such shares were acquired.

If the proposal is submitted at least 90 days before the anniversary date of the notice of meeting sent to shareholders in connection with the previous annual meeting and the proposal meets other specified requirements, then the company shall either set out the proposal in the proxy circular of the company or attach the proposal thereto. In addition, if so requested by the person submitting the proposal, the company shall include in or attach to the proxy circular a statement in support of the proposal by the person and the name and address of the person.

If a company refuses to include a proposal in a management proxy circular, the company shall notify the person in writing within 21 days after its receipt of the proposal (or proof of the person's ownership of securities) of its intention to omit the proposal and the reasons therefor. In any such event, the person submitting the proposal may make application to a court for an order permitting the company to omit the proposal from the management proxy circular and the court may make such order as it determines appropriate.

The new bylaws of the Company will require shareholders wishing to nominate or propose business for a meeting of shareholders to give timely advance notice in writing as described in the bylaws

SHARES ELIGIBLE FOR FUTURE SALE

Before this offering, there has been no public market for our common shares. As described below, only a limited number of shares currently outstanding will be available for sale immediately after this offering due to contractual and legal restrictions on resale. Nevertheless, future sales of substantial amounts of our common shares, including shares issued upon the exercise of outstanding options, in the public market after this offering, or the perception that those sales may occur, could cause the prevailing market price for our common shares to fall or impair our ability to raise capital through sales of our equity or equity-related securities at a time and price that we deem appropriate.

Upon the closing of this offering, we will have outstanding _____ common shares, after giving effect to the issuance of _____ our common shares in this offering, assuming no exercise by the underwriters of their option to purchase additional shares and no exercise of options outstanding as of _____, 2015.

Of the shares that will be outstanding immediately after the closing of this offering, we expect that the _____ shares to be sold in this offering will be freely tradable without restriction under the Securities Act unless purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act. Shares purchased by our affiliates may not be resold except pursuant to an effective registration statement or an exemption from registration, including the safe harbor under Rule 144 of the Securities Act described below. In addition, following this offering, _____ common shares issuable pursuant to awards granted under certain of our equity plans that are covered by a registration statement on Form S-8 will be freely tradable in the public market, subject to certain contractual and legal restrictions described below.

The remaining _____ common shares outstanding after this offering will be "restricted securities," as that term is defined in Rule 144 of the Securities Act, and we expect that substantially all of these restricted securities will be subject to the lock-up agreements described below. These restricted securities may be sold in the public market only if the sale is registered or pursuant to an exemption from registration, such as Rule 144 or Rule 701 of the Securities Act, which are summarized below.

Lock-up Agreements

We, each of our directors and executive officers and other shareholders owning substantially all of our common shares, including the selling shareholders, who collectively own _____ of our common shares following this offering, have agreed that, without the prior written consent of Goldman, Sachs & Co. and J.P. Morgan Securities LLC, on behalf of the underwriters, we and they will not, subject to limited exceptions, dispose of or hedge any common shares or any securities convertible into or exchangeable or exercisable for common shares for a period of 180 days after the date of this prospectus. The lock-up restrictions and specified exceptions are described in more detail under the caption "Underwriting."

Rule 144

In general, under Rule 144, beginning 90 days after the date of this prospectus, any person who is not our affiliate and has held their shares for at least six months, including the holding period of any prior owner other than one of our affiliates, may sell shares without restriction, subject to the availability of current public information about us. In addition, under Rule 144, any person who is not our affiliate and has not been our affiliate at any time during the preceding three months and has held their shares for at least one year, including the holding period of any prior owner other than one of our affiliates, would be entitled to sell an unlimited number of shares immediately

upon the closing of this offering without regard to whether current public information about us is available.

Beginning 90 days after we become subject to the public company reporting requirements of the Exchange Act, a person who is our affiliate or who was our affiliate at any time during the preceding three months and who has beneficially owned restricted securities for at least six months, including the holding period of any prior owner other than one of our affiliates, is entitled to sell a number of shares within any three-month period that does not exceed the greater of: (1) 1% of the number of our common shares outstanding, which will equal approximately _____ shares immediately after this offering; and (2) the average weekly trading volume of our common shares on _____ during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 by our affiliates are also subject to certain manner of sale provisions, notice requirements and to the availability of current public information about us.

Rule 701

In general, under Rule 701 under the Securities Act, beginning 90 days after we become subject to the public company reporting requirements of the Exchange Act, any of our employees, directors or officers who acquired shares from us in connection with a written compensatory stock or option plan or other written agreement in compliance with Rule 701 is entitled to sell such shares in reliance on Rule 144 but without compliance with certain of the requirements contained in Rule 144. Accordingly, subject to any applicable lock-up agreements, beginning 90 days after we become subject to the public company reporting requirements of the Exchange Act, under Rule 701 persons who are not our affiliates may resell those shares without complying with the minimum holding period or public information requirements of Rule 144, and persons who are our affiliates may resell those shares without compliance with Rule 144's minimum holding period requirements.

Canadian Resale Restrictions

Any sale of any of our shares which constitutes a "control distribution" under Canadian securities laws (generally a sale by a person or a group of persons holding more than 20% of our outstanding voting securities) will be subject to restrictions under Canadian securities laws in addition to those restrictions noted above, unless the sale is qualified under a prospectus filed with Canadian securities regulatory authorities, or if prior notice of the sale is filed with the Canadian securities regulatory authorities at least seven days before any sale and there has been compliance with certain other requirements and restrictions regarding the manner of sale, payment of commissions, reporting and availability of current public information about us and compliance with applicable Canadian securities laws.

Registration Statement on Form S-8

Following this offering, we intend to file with the SEC a registration statement on Form S-8 under the Securities Act covering the common shares that are subject to outstanding options and other awards issuable pursuant to our _____ Plan dated _____. Shares covered by such registration statement will be available for sale in the open market following its effective date, subject to certain Rule 144 limitations applicable to affiliates and the terms of lock-up agreements applicable to those shares.

Registration Rights

The Investors' Rights Agreement grants certain registration rights with respect to our common shares. For more information see "Related Party Transactions — Arrangements with Our Investors — Investors' Rights Agreement."

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS FOR U.S. HOLDERS

Subject to the limitations and qualifications stated herein, this discussion sets forth the material U.S. federal income tax consequences of the purchase, ownership and disposition by U.S. Holders (as defined below) of the common shares. The discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect. This summary applies only to U.S. Holders and does not address tax consequences to a non-U.S. Holder (as defined below) investing in our common shares.

The discussion of the U.S. Holders' tax consequences addresses only those persons that acquire their common shares in this offering and that hold those common shares as capital assets and does not address the tax consequences to any special class of holders, including without limitation, holders (directly, indirectly or constructively) of 10% or more of our shares, dealers in securities or currencies, banks, tax-exempt organizations, insurance companies, financial institutions, broker-dealers, regulated investment companies, real estate investment trusts, traders in securities that elect the mark-to-market method of accounting for their securities holdings, persons that hold securities that are a hedge or that are hedged against currency or interest rate risks or that are part of a straddle, conversion or "integrated" transaction, U.S. expatriates, partnerships or other pass-through entities for U.S. Federal income tax purposes and U.S. Holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar. This discussion does not address the effect of the U.S. federal alternative minimum tax, U.S. federal estate and gift tax, the 3.8% Medicare contribution tax on net investment income or any state, local or foreign tax laws on a holder of common shares.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of common shares that is for U.S. federal income tax purposes: (a) an individual who is a citizen or resident of the U.S.; (b) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof or the District of Columbia; (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (d) a trust (i) if a court within the U.S. can exercise primary supervision over its administration, and one or more U.S. persons have the authority to control all of the substantial decisions of that trust, or (ii) that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person. The term "non-U.S. Holder" means any beneficial owner of our common shares that is not a U.S. Holder, a partnership (or an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes) or a person holding our common shares through a partnership.

If a partnership or an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes holds our common shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partners in partnerships that hold our common shares should consult their own tax advisors.

You are urged to consult your own independent tax advisor regarding the specific U.S. federal, state, local and foreign income and other tax considerations relating to the purchase, ownership and disposition of our common shares.

Cash Dividends and Other Distributions

As described in the section entitled "Dividend Policy" above, we do not currently anticipate paying any cash dividends in the foreseeable future. However, to the extent there are any distributions made with respect to our common shares, subject to the passive foreign investment company, or "PFIC," rules discussed below, a U.S. Holder of common shares generally will be

required to treat distributions received with respect to such common shares (including the amount of Canadian taxes withheld, if any) as dividend income to the extent of our current or accumulated earnings and profits (computed using U.S. federal income tax principles), with the excess treated as a non-taxable return of capital to the extent of the holder's adjusted tax basis in the common shares and, thereafter, as capital gain recognized on a sale or exchange on the day actually or constructively received by you. We do not maintain calculations of our earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution with respect to our common shares will constitute ordinary dividend income. Dividends paid on the common shares will not be eligible for the dividends received deduction allowed to U.S. corporations.

Dividends paid to a non-corporate U.S. Holder by a "qualified foreign corporation" may be subject to reduced rates of taxation if certain holding period and other requirements are met. A qualified foreign corporation generally includes a foreign corporation (other than a PFIC) if (i) its common shares are readily tradable on an established securities market in the United States or (ii) it is eligible for benefits under a comprehensive U.S. income tax treaty that includes an exchange of information program and which the U.S. Treasury Department has determined is satisfactory for these purposes. Our common shares are expected to be readily tradable on an established securities market, the . U.S. Holders should consult their own tax advisors regarding the availability of the reduced tax rate on dividends in light of their particular circumstances.

Non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

Distributions paid in a currency other than U.S. dollars will be included in a U.S. Holder's gross income in a U.S. dollar amount based on the spot exchange rate in effect on the date of actual or constructive receipt, whether or not the payment is converted into U.S. dollars at that time. The U.S. Holder will have a tax basis in such currency equal to such U.S. dollar amount, and any gain or loss recognized upon a subsequent sale or conversion of the foreign currency for a different U.S. dollar amount will be U.S. source ordinary income or loss. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

A U.S. Holder who pays (whether directly or through withholding) Canadian taxes with respect to dividends paid on our common shares may be entitled to receive either a deduction or a foreign tax credit for such Canadian taxes paid. Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." In addition, this limitation is calculated separately with respect to specific categories of income. Dividends paid by us generally will constitute "foreign source" income and generally will be categorized as "passive category income." However, if 50% or more of our stock is treated as held by U.S. persons, we will be treated as a "United States-owned foreign corporation," in which case dividends may be treated for foreign tax credit limitation purposes as "foreign source" income to the extent attributable to our non-U.S. source earnings and profits and as "U.S. source" income to the extent attributable to our U.S. source earnings and profits. Because the foreign tax credit rules are complex, each U.S. Holder should consult its own tax advisor regarding the foreign tax credit rules.

Sale or Disposition of Common Shares

A U.S. Holder generally will recognize gain or loss on the taxable sale or exchange of the common shares in an amount equal to the difference between the U.S. dollar amount realized on such sale or exchange (determined in the case of shares sold or exchanged for currencies other than U.S. dollars by reference to the spot exchange rate in effect on the date of the sale or exchange or, if the common shares sold or exchanged are traded on an established securities market and the U.S. Holder is a cash basis taxpayer or an electing accrual basis taxpayer, the spot exchange rate in effect on the settlement date) and the U.S. Holder's adjusted tax basis in the common shares determined in U.S. dollars. The initial tax basis of the common shares to a U.S. Holder will be the U.S. Holder's U.S. dollar purchase price for the shares (determined by reference to the spot exchange rate in effect on the date of the purchase, or if the shares purchased are traded on an established securities market and the U.S. Holder is a cash basis taxpayer or an electing accrual basis taxpayer, the spot exchange rate in effect on the settlement date).

Assuming we are not a PFIC and have not been treated as a PFIC during your holding period for our common shares, such gain or loss will be capital gain or loss and will be long-term gain or loss if the common shares have been held for more than one year. Under current law, long-term capital gains of non-corporate U.S. Holders generally are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Capital gain or loss, if any, recognized by a U.S. Holder generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. U.S. Holders are encouraged to consult their own tax advisors regarding the availability of the U.S. foreign tax credit in their particular circumstances.

Passive Foreign Investment Company Considerations

Status as a PFIC

The rules governing PFICs can have adverse tax effects on U.S. Holders. We generally will be classified as a PFIC for U.S. federal income tax purposes if, for any taxable year, either: (1) 75% or more of our gross income consists of certain types of passive income, or (2) the average value (determined on a quarterly basis), of our assets that produce, or are held for the production of, passive income is 50% or more of the value of all of our assets.

Passive income generally includes dividends, interest, rents and royalties (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a non-U.S. corporation owns at least 25% by value of the stock of another corporation, the non-U.S. corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation and as receiving directly its proportionate share of the other corporation's income.

Additionally, if we are classified as a PFIC in any taxable year with respect to which a U.S. Holder owns common shares, we generally will continue to be treated as a PFIC with respect to such U.S. Holder in all succeeding taxable years, regardless of whether we continue to meet the tests described above, unless the U.S. Holder makes the "deemed sale election" described below.

We do not believe that we are currently a PFIC, and we do not anticipate becoming a PFIC in the foreseeable future. Notwithstanding the foregoing, the determination of whether we are a PFIC is made annually and depends on the particular facts and circumstances (such as the valuation of our assets, including goodwill and other intangible assets) and also may be affected by the application of the PFIC rules, which are subject to differing interpretations. The fair market value of our assets is expected to depend, in part, upon (a) the market price of our common shares, which is likely to fluctuate, and (b) the composition of our income and assets, which will be affected by how, and how quickly, we spend any cash that is raised in any financing transaction, including this

offering. In light of the foregoing, no assurance can be provided that we are not currently a PFIC or that we will not become a PFIC in any future taxable year. Prospective investors should consult their own tax advisors regarding our PFIC status.

U.S. federal income tax treatment of a shareholder of a PFIC

If we are classified as a PFIC for any taxable year during which a U.S. Holder owns common shares, the U.S. Holder, absent certain elections (including the mark-to-market and QEF elections described below), generally will be subject to adverse rules (regardless of whether we continue to be classified as a PFIC) with respect to (i) any "excess distributions" (generally, any distributions received by the U.S. Holder on its common shares in a taxable year that are greater than 125% of the average annual distributions received by the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for its common shares) and (ii) any gain realized on the sale or other disposition, including a pledge, of its common shares.

Under these adverse rules (a) the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we are classified as a PFIC will be taxed as ordinary income and (c) the amount allocated to each other taxable year during the U.S. Holder's holding period in which we were classified as a PFIC (i) will be subject to tax at the highest rate of tax in effect for the applicable category of taxpayer for that year and (ii) will be subject to an interest charge at a statutory rate with respect to the resulting tax attributable to each such other taxable year.

If we are classified as a PFIC, a U.S. Holder will generally be treated as owning a proportionate amount (by value) of stock or shares owned by us in any direct or indirect subsidiaries that are also PFICs and will be subject to similar adverse rules with respect to any distributions we receive from, and dispositions we make of, the stock or shares of such subsidiaries. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

If we are classified as a PFIC and then cease to be so classified, a U.S. Holder may make an election (a "deemed sale election") to be treated for U.S. federal income tax purposes as having sold such U.S. Holder's common shares on the last day our taxable year during which we were a PFIC. A U.S. Holder that makes a deemed sale election would then cease to be treated as owning stock in a PFIC by reason of ownership of our common shares. However, gain recognized as a result of making the deemed sale election would be subject to the adverse rules described above and loss would not be recognized.

PFIC "mark-to-market" election

In certain circumstances, a U.S. Holder can avoid certain of the adverse rules described above by making a mark-to-market election with respect to its common shares, provided that the common shares are "marketable." Common shares will be marketable if they are "regularly traded" on a "qualified exchange" or other market within the meaning of applicable U.S. Treasury Regulations.

A U.S. Holder that makes a mark-to-market election must include in gross income, as ordinary income, for each taxable year that we are a PFIC an amount equal to the excess, if any, of the fair market value of the U.S. Holder's common shares at the close of the taxable year over the U.S. Holder's adjusted tax basis in its common shares. An electing U.S. Holder may also claim an ordinary loss deduction for the excess, if any, of the U.S. Holder's adjusted tax basis in its common shares over the fair market value of its common shares at the close of the taxable year, but this deduction is allowable only to the extent of any net mark-to-market gains previously included in income. A U.S. Holder that makes a mark-to-market election generally will adjust such U.S. Holder's

tax basis in its common shares to reflect the amount included in gross income or allowed as a deduction because of such mark-to-market election. Gains from an actual sale or other disposition of common shares in a year in which we are a PFIC will be treated as ordinary income, and any losses incurred on a sale or other disposition of common shares will be treated as ordinary losses to the extent of any net mark-to-market gains previously included in income.

If we are classified as a PFIC for any taxable year in which a U.S. Holder owns common shares but before a mark-to-market election is made, the adverse PFIC rules described above will apply to any mark-to-market gain recognized in the year the election is made. Otherwise, a mark-to-market election will be effective for the taxable year for which the election is made and all subsequent taxable years. The election cannot be revoked without the consent of the IRS unless the common shares cease to be marketable, in which case the election is automatically terminated.

A mark-to-market election is not permitted for the shares of any of our subsidiaries that are also classified as PFICs. Prospective investors should consult their own tax advisors regarding the availability of, and the procedure for making, a mark-to-market election.

PFIC "QEF" election

In some cases, a shareholder of a PFIC can avoid the interest charge and the other adverse PFIC consequences described above by obtaining certain information from such PFIC and by making a QEF election to be taxed currently on its share of the PFIC's undistributed income. We do not, however, expect to provide the information regarding our income that would be necessary in order for a U.S. Holder to make a QEF election with respect to common shares if we are classified as a PFIC.

PFIC information reporting requirements

If we are a PFIC in any year, a U.S. Holder of common shares in such year will be required to file an annual information return on IRS Form 8621 regarding distributions received on such common shares and any gain realized on disposition of such common shares. In addition, if we are a PFIC, a U.S. Holder will generally be required to file an annual information return with the IRS (also on IRS Form 8621, which PFIC shareholders are required to file with their U.S. federal income tax or information return) relating to their ownership of shares of common stock. This new filing requirement is in addition to the pre-existing reporting requirements described above that apply to a U.S. Holder's interest in a PFIC (which this requirement does not affect).

NO ASSURANCE CAN BE GIVEN THAT WE ARE NOT CURRENTLY A PFIC OR THAT WE WILL NOT BECOME A PFIC IN THE FUTURE. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE OPERATION OF THE PFIC RULES AND RELATED REPORTING REQUIREMENTS IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE ADVISABILITY OF MAKING ANY ELECTION THAT MAY BE AVAILABLE.

Reporting Requirements and Backup Withholding

Information reporting to the U.S. Internal Revenue Service generally will be required with respect to payments on the common shares and proceeds of the sale, exchange or redemption of the common shares paid within the United States or through certain U.S.-related financial intermediaries to holders that are U.S. taxpayers, other than exempt recipients. A "backup" withholding tax may apply to those payments if such holder fails to provide a taxpayer identification number to the paying agent or fails to certify that no loss of exemption from backup withholding has occurred (or if such holder otherwise fails to establish an exemption). We or the applicable paying agent will withhold on a distribution if required by applicable law. The amounts withheld under the backup withholding rules are not an additional tax and may be refunded, or credited

against the holder's U.S. federal income tax liability, if any, provided the required information is timely furnished to the U.S. Internal Revenue Service.

THE ABOVE DISCUSSION DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. YOU ARE STRONGLY URGED TO CONSULT YOUR OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO YOU OF AN INVESTMENT IN THE COMMON SHARES.

CANADIAN TAX IMPLICATIONS FOR NON-CANADIAN HOLDERS

The following summary describes the principal Canadian federal income tax considerations generally applicable to a purchaser who acquires, as a beneficial owner, common shares pursuant to this offering and who, at all relevant times, for the purposes of the application of the Income Tax Act (Canada) and the Income Tax Regulations (collectively, the "Canadian Tax Act"), (1) is not, and is not deemed to be, resident in Canada; (2) deals at arm's length with us; (3) is not affiliated with us; (4) does not use or hold, and is not deemed to use or hold, common shares in a business carried on in Canada; (5) has not entered into, with respect to the common shares, a "derivative forward agreement" as that term is defined in the Canadian Tax Act, and (6) holds the common shares as capital property (a "Non-Canadian Holder"). Special rules, which are not discussed in this summary, may apply to a Non-Canadian Holder that is an insurer carrying on an insurance business in Canada and elsewhere.

This summary is based on the current provisions of the Canadian Tax Act, and an understanding of the current administrative policies of the Canada Revenue Agency ("CRA") published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Canadian Tax Act and the Canada-United States Tax Convention (1980), as amended (the "Canada-U.S. Tax Treaty") publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments") and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, regulatory, administrative or judicial action nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular shareholder. This summary is not exhaustive of all Canadian federal income tax considerations. **Accordingly, you should consult your own tax advisor with respect to your particular circumstances.**

Generally, for purposes of the Canadian Tax Act, all amounts relating to the acquisition, holding or disposition of the common shares must be converted into Canadian dollars based on the exchange rates as determined in accordance with the Canadian Tax Act. The amount of any dividends required to be included in the income of, and capital gains or capital losses realized by, a Non-Canadian Holder may be affected by fluctuations in the Canadian exchange rate.

Dividends

Dividends paid or credited on the common shares or deemed to be paid or credited on the common shares to a Non-Canadian Holder will be subject to Canadian withholding tax at the rate of 25%, subject to any reduction in the rate of withholding to which the Non-Canadian Holder is entitled under any applicable income tax convention between Canada and the country in which the Non-Canadian Holder is resident. For example, under the Canada-U.S. Tax Treaty, where dividends on the Common Shares are considered to be paid to or derived by a Non-Canadian Holder that is

a beneficial owner of the dividends and is a U.S. resident for the purposes of, and is entitled to benefits of, the Canada-U.S. Tax Treaty, the applicable rate of Canadian withholding tax is generally reduced to 15%.

Dispositions

A Non-Canadian Holder will not be subject to tax under the Canadian Tax Act on any capital gain realized on a disposition or deemed disposition of a common share, unless the common shares are "taxable Canadian property" to the Non-Canadian Holder for purposes of the Canadian Tax Act and the Non-Canadian Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Canadian Holder is resident.

Generally, the common shares will not constitute "taxable Canadian property" to a Non-Canadian Holder at a particular time provided that the common shares are listed at that time on a "designated stock exchange" (as defined in the Canadian Tax Act), which includes the , unless at any time during the 60-month period that ends at that time (i) one or any combination of (a) the Non-Canadian Holder, (b) persons with whom the Non-Canadian Holder does not deal at arm's length, and (c) partnerships in which the Non-Canadian Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships, has owned 25% or more of the issued shares of any class or series of our capital stock, and (ii) more than 50% of the fair market value of the common shares was derived, directly or indirectly, from one or any combination of: (i) real or immoveable property situated in Canada, (ii) "Canadian resource properties" (as defined in the Canadian Tax Act), (iii) "timber resource properties" (as defined in the Canadian Tax Act), and (iv) options in respect of, or interests in, or for civil law rights in, property in any of the foregoing whether or not the property exists. Notwithstanding the foregoing, in certain circumstances set out in the Canadian Tax Act, common shares could be deemed to be "taxable Canadian property". **Non-Canadian Holders whose common shares may constitute "taxable Canadian property" should consult their own tax advisors.**

UNDERWRITING

The company, the selling shareholders and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co. and J.P. Morgan Securities LLC are the representatives of the underwriters.

<u>Underwriters</u>	<u>Number of Shares</u>
Goldman, Sachs & Co.	
J.P. Morgan Securities LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
BMO Capital Markets Corp.	
William Blair & Company, LLC	
Total	

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

The underwriters have an option to buy up to an additional _____ shares from the selling shareholders to cover sales by the underwriters of a greater number of shares than the total number set forth in the table above. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following tables show the per share and total underwriting discounts and commissions to be paid to the underwriters by the company and the selling shareholders. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase _____ additional shares.

Paid by the Company

	<u>No Exercise</u>	<u>Full Exercise</u>
Per Share	US\$	US\$
Total	US\$	US\$

Paid by the Selling Shareholders

	<u>No Exercise</u>	<u>Full Exercise</u>
Per Share	US\$	US\$
Total	US\$	US\$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to US\$ _____ per share from the initial public offering price. After the initial offering of the shares, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

The company and its officers, directors, and holders of substantially all of the company's common shares, including the selling shareholders, have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common shares or securities convertible into or exchangeable for common shares during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the representatives. This agreement does not apply to any existing employee benefit plans. See "Shares Available for Future Sale" for a discussion of certain transfer restrictions.

Prior to the offering, there has been no public market for the shares. The initial public offering price has been negotiated among the company and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be the company's historical performance, estimates of the business potential and earnings prospects of the company, an assessment of the company's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

An application has been made to list the common shares on the _____ under the symbol " _____".

In connection with the offering, the underwriters may purchase and sell common shares in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A "covered short position" is a short position that is not greater than the amount of additional shares for which the underwriters' option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to cover the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option described above. "Naked" short sales are any short sales that create a short position greater than the amount of additional shares for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common shares made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the company's common shares, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common shares. As a result, the price of the common shares may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on the _____, in the over-the-counter market or otherwise.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

The company and the selling shareholders estimate that their share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$.

The company and the selling shareholders have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The address of Goldman, Sachs & Co. is 200 West Street, New York, New York 10282. The address of J.P. Morgan Securities LLC is 383 Madison Avenue, New York, New York 10179.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the European Union Prospectus Directive (the "EU Prospectus Directive") was implemented in that Relevant Member State (the "Relevant Implementation Date"), an offer of the common shares described in this prospectus may not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the common shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the EU Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of common shares described in this prospectus may be made to the public in that Relevant Member State at any time:

- (a) to any legal entity that is a qualified investor as defined under the EU Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive), subject to obtaining the prior consent of the relevant representatives for any such offer; or

- (c) in any other circumstances falling within Article 3(2) of the EU Prospectus Directive;

provided that no such offer of common shares described in this prospectus shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the EU Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any common shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the common shares to be offered so as to enable an investor to decide to purchase or subscribe for the common shares, as the same may be varied in that Relevant Member State by any measure implementing the EU Prospectus Directive in that Relevant Member State. The expression "EU Prospectus Directive" means Directive 2003/71/EC (and any amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each underwriter agrees that:

- (d) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA does not apply to the issuer; and
- (e) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

Hong Kong

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an

institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "Financial Instruments and Exchange Law"), and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company or the common shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of common shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of common shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to,

or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The common shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the common shares offered should conduct their own due diligence on the common shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the "Corporations Act"), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the common shares may only be made to persons (the "Exempt Investors") who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act), "professional investors" (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The common shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring common shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Ropes & Gray LLP, Boston, Massachusetts. The validity of the issuance of our common shares offered in this prospectus and certain other legal matters as to Canadian law will be passed upon for us by Osler, Hoskin & Harcourt LLP, Montréal, Canada. Certain legal matters as to Canadian law will be passed upon for the underwriters by McCarthy Tétrault LLP, Montréal, Canada. The underwriters are being represented by Simpson Thacher & Bartlett LLP, New York, New York.

EXPERTS

Our consolidated financial statements, prepared in accordance with IFRS, as of January 29, 2012, January 26, 2013 and January 25, 2014 and for each of the years ended January 26, 2013 and January 25, 2014, appearing in this confidential submission have been audited by Ernst & Young LLP, Montréal, Canada ("Ernst & Young"), a member of Ernst & Young Global Limited, independent registered public accounting firm, as set forth in their report included in this confidential submission, and are included upon Ernst & Young's authority as experts in accounting and auditing.

Prior to the engagement of Ernst & Young as our independent registered public accounting firm to perform an audit in accordance with the independence rules of the SEC and the standards of the United States Public Company Accounting Oversight Board ("PCAOB"), a former partner of Ernst & Young, who received a partially unfunded fixed retirement pension from Ernst & Young, served as a director of the Company from April 15, 2013 until resignation on January 16, 2014. While entitlement to this pension by a former partner of our auditors acting in a financial reporting oversight role is permissible under our home country independence rules, it is not permissible under the independence rules of the SEC. In addition to this matter, Ernst & Young completed its communications to our Audit Committee required by PCAOB Rule 3526 after it had commenced its audit procedures, which is inconsistent with the requirements of PCAOB Rule 3526.

Notwithstanding the inconsistencies noted above with respect to the auditor independence rules in the United States, Ernst & Young informed us that, after considering all the facts and circumstances and the impact that these matters may have had on independence with respect to us, it believes it was and is capable of exercising objective and impartial judgment on all issues encompassed within the conduct of its audits of our consolidated financial statements.

Our Audit Committee also reviewed and considered the impact that these matters may have had on Ernst & Young's independence with respect to us under the applicable SEC and PCAOB independence rules. After considering all of the facts and circumstances, our Audit Committee determined that a reasonable investor with knowledge of all relevant facts and circumstances would conclude that Ernst & Young was and is capable of exercising objective and impartial judgment on all issues encompassed within their audit engagement.

ENFORCEMENT OF CIVIL LIABILITIES

We are incorporated under the laws of Canada. Many of our directors and officers, and some of the experts named in this prospectus, are residents of Canada or otherwise reside outside of the United States, and all or a substantial portion of their assets, and all or a substantial portion of our assets, are located outside of the United States. We have appointed an agent for service of process in the United States, but it may be difficult for shareholders who reside in the United States to effect service within the United States upon those directors, officers and experts who are not residents of the United States. It may also be difficult for shareholders who reside in the United States to realize in the United States upon judgments of courts of the United States predicated upon our civil liability and the civil liability of our directors, officers and experts under the United States federal securities

laws. There can be no assurance that U.S. investors will be able to enforce against us, members of our board of directors, officers or certain experts named herein who are residents of Canada or other countries outside the United States, any judgments in civil and commercial matters, including judgments under the federal securities laws.

EXPENSES RELATED TO THIS OFFERING

The following table sets forth the costs and expenses, other than the underwriting discounts and commissions, payable by the registrant in connection with the sale of common shares being registered. All amounts are estimates except for the SEC registration fee, the Financial Industry Regulatory Authority filing fee and the listing fee.

Item	Amount to be paid	
SEC registration fee	\$	*
FINRA filing fee	\$	*
Stock exchange listing fee	\$	*
Blue sky fees and expenses	\$	*
Printing and engraving expenses	\$	*
Legal fees and expenses	\$	*
Accounting fees and expenses	\$	*
Transfer Agent fees and expenses	\$	*
Miscellaneous expenses	\$	*
Total	\$	*

* To be completed by amendment.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-1 under the Securities Act with respect to the common shares offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed therewith. For further information with respect to us and the common shares offered hereby, please refer to the registration statement and the exhibits and schedules filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement. A copy of the registration statement and the exhibits and schedules filed therewith may be inspected without charge at the public reference room maintained by the SEC, located at 100 F Street N.E., Washington, D.C. 20549, and copies of all or any part of the registration statement may be obtained from such offices upon the payment of the fees prescribed by the SEC. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address is www.sec.gov.

Upon completion of this offering, we will be subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we are required to file reports, including annual reports on Form 20-F, and other information with the SEC. Although we are not required to prepare and issue quarterly reports as a foreign private issuer, we currently intend to file quarterly reports on Form 6-K with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders and Section 16 short-swing profit reporting for our officer, directors and holders of more than 10% of our common shares.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
DAVIDsTEA Inc.

We have audited the accompanying consolidated balance sheets of **DAVIDsTEA Inc.** as of January 25, 2014, January 26, 2013 and January 29, 2012, and the related consolidated statements of loss and comprehensive income (loss), equity and cash flows for each of the two years in the period ended January 25, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of **DAVIDsTEA Inc.** as of January 25, 2014, January 26, 2013 and January 29, 2012, and the consolidated results of its operations and its cash flows for each of the two years in the period ended January 25, 2014, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young LLP

Montréal, Canada
December 19, 2014

DAVIDsTEA Inc.

Incorporated under the laws of Canada

CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

		As at October 25, 2014 \$	As at January 25, 2014 \$	As at January 26, 2013 \$	As at January 29, 2012 \$
		[Unaudited]			
ASSETS					
Current					
Cash and cash equivalents	[Note 6]	2,001	15,350	7,644	3,018
Accounts and other receivables	[Note 7]	2,393	1,108	828	165
Inventories	[Note 8]	19,290	11,240	10,812	5,368
Income tax receivable	[Note 20]	1,398	—	—	—
Prepaid expenses and deposits		3,027	2,888	2,630	1,315
Total current assets		28,109	30,586	21,914	9,866
Property and equipment	[Note 9]	34,003	29,858	25,962	16,141
Intangible assets	[Note 10]	1,663	1,502	1,978	1,570
Total assets		63,775	61,946	49,854	27,577
LIABILITIES AND EQUITY					
Current					
Operating loan	[Note 11]	—	—	507	—
Trade and other payables	[Notes 12 and 23]	14,654	12,208	7,294	6,098
Deferred revenue		432	—	—	—
Income taxes payable	[Note 20]	—	1,183	1,554	28
Current portion of provisions	[Note 13]	171	—	—	—
Current portion of long-term debt and finance lease obligations	[Note 15]	4,284	3,608	4,181	1,316
Total current liabilities		19,541	16,999	13,536	7,442
Deferred rent and lease inducements		3,417	2,471	1,679	914
Long-term debt and finance lease obligations	[Note 14 and 15]	7,364	10,451	6,739	2,581
Provisions	[Note 13]	358	—	—	—
Deferred income taxes	[Note 20]	204	169	67	165
Loan from the controlling shareholder	[Note 16]	3,993	8,690	8,690	16,190
Preferred shares — Series A and A-1	[Note 17]	26,434	18,449	17,009	—
Financial derivative liability embedded in preferred shares — Series A and A-1	[Note 17]	8,446	8,268	5,966	—
Total liabilities		69,757	65,497	53,686	27,292
Commitments and contingent liabilities	[Note 14]	—	—	—	—
Equity					
Share capital	[Note 18]	385	—	—	—
Contributed surplus		1,042	465	237	—
Retained Earnings(deficit)		(8,356)	(4,827)	(4,069)	285
Accumulated other comprehensive income		947	811	—	—
Total equity		(5,982)	(3,551)	(3,832)	285
		63,775	61,946	49,854	27,577

See accompanying notes

DAVIDsTEA Inc.

Incorporated under the laws of Canada

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE INCOME (LOSS)

[In thousands of Canadian dollars, except share information]

		For the thirty-nine weeks ended		For the year ended	
		October 25, 2014 \$	October 26, 2013 \$	January 25, 2014 \$	January 26, 2013 \$
		[Unaudited]	[Unaudited]		
Sales	[Note 24]	80,115	61,514	108,169	73,058
Cost of sales		37,335	28,816	48,403	32,177
Gross profit		42,780	32,698	59,766	40,881
Selling, general and administration expenses	[Notes 9 and 21]	44,289	34,708	52,369	37,338
Results from operating activities		(1,509)	(2,010)	7,397	3,543
Finance costs	[Note 19]	1,738	1,331	1,967	1,829
Finance income		(114)	(26)	(45)	—
Accretion of preferred shares	[Note 17]	754	384	514	416
(Gain)/loss from embedded derivative on Series A and A-1 preferred shares	[Note 17]	(1,640)	3,511	2,302	3,960
IPO related costs		35	—	—	—
Settlement cost related to former option holder		520	—	—	—
Income (loss) before income taxes		(2,802)	(7,210)	2,659	(2,662)
Provision for income tax	[Note 20]	727	732	3,067	1,692
Net loss		(3,529)	(7,942)	(408)	(4,354)
Other comprehensive income					
Cumulative translation adjustment		136	266	811	—
Comprehensive income (loss)		(3,393)	(7,676)	403	(4,354)
Loss per share					
Basic and fully diluted	[Note 22]	(0.47)	(1.05)	(0.05)	(0.57)
Weighted average number of shares outstanding—basic and fully diluted	[Note 22]	7,474,996	7,541,341	7,541,341	7,617,784

See accompanying notes

DAVIDsTEA Inc.

Incorporated under the laws of Canada

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of Canadian dollars]

	For the thirty-nine weeks ended		For the year ended	
	October 25, 2014	October 26, 2013	January 25, 2014	January 26, 2013
	\$	\$	\$	\$
	[Unaudited]	[Unaudited]		
OPERATING ACTIVITIES				
Net loss	(3,529)	(7,942)	(408)	(4,354)
Items not affecting cash:				
Depreciation of property and equipment	3,500	2,719	3,801	2,579
Amortization of intangible assets	434	448	944	601
Amortization of financing fees	128	71	114	77
Impairment of property and equipment	1,301	156	1,192	—
Provision for onerous contracts	529	—	—	—
Accretion of preferred shares	754	384	514	416
(Gain)/Loss from embedded derivative on Series A and A-1 preferred shares	(1,640)	3,511	2,302	3,960
Stock-based compensation expense	577	186	228	237
Settlement cost related to former option holder	345	—	—	—
Deferred income taxes	35	120	102	(98)
	2,434	(347)	8,789	3,418
Net change in other non-cash working capital balances related to operations	(7,392)	(2,673)	5,389	(3,252)
Cash flows related to operating activities	(4,958)	(3,020)	14,178	166
FINANCING ACTIVITIES				
Proceeds of finance lease obligations	—	—	970	—
Repayment of finance lease obligations	(234)	(1,518)	(1,623)	(783)
Proceeds (repayment) of operating loan	—	(507)	(507)	507
Proceeds of long-term debt	—	5,000	14,000	16,116
Repayment of long-term debt	(2,220)	(1,027)	(10,014)	(8,311)
Share issuances of class AA common shares and common shares	40	—	—	—
Share issuance of series A and A-1 preferred shares	3,563	—	—	11,000
Financing fees	(137)	(99)	(214)	(660)
Repurchase of Class AA common shares	—	—	(350)	—
Cash flows related to financing activities	1,012	1,849	2,262	17,869
INVESTING ACTIVITIES				
Additions to property and equipment	(8,810)	(5,021)	(8,280)	(12,400)
Additions to intangible assets	(593)	(53)	(454)	(1,009)
Cash flows related to investing activities	(9,403)	(5,074)	(8,734)	(13,409)
Increase in cash and cash equivalents	(13,349)	(6,245)	7,706	4,626
Cash and cash equivalents, beginning of period	15,350	7,644	7,644	3,018
Cash and cash equivalents, end of period	2,001	1,399	15,350	7,644

See accompanying notes

DAVIDsTEA Inc.

Incorporated under the laws of Canada

CONSOLIDATED STATEMENTS OF EQUITY

[In thousands of Canadian dollars]

	Share Capital \$	Contributed Surplus \$	Retained Earnings / (Deficit) \$	Accumulated Other Comprehensive Income \$	Total Equity (Deficit) \$
For the year ended ended					
Balance, January 29, 2012	—	—	285	—	285
Net loss for the 52-week period ended January 26, 2013	—	—	(4,354)	—	(4,354)
Net income from other comprehensive income	—	—	—	—	—
Issuance of subordinate voting shares upon exercise of options	—	—	—	—	—
Stock-based compensation	—	237	—	—	237
Balance, January 26, 2013	—	237	(4,069)	—	(3,832)
Balance, January 26, 2013	—	237	(4,069)	—	(3,832)
Net loss for the 52-week period ended January 25, 2014	—	—	(408)	—	(408)
Net income from other comprehensive income	—	—	—	811	811
Issuance of subordinate voting shares upon exercise of options	—	—	—	—	—
Repurchase of shares for compensation	—	—	(350)	—	(350)
Stock-based compensation	—	228	—	—	228
Balance, January 25, 2014	—	465	(4,827)	811	(3,551)
Balance, January 25, 2014	—	465	(4,827)	811	(3,551)
Net loss for the thirty-nine week period ended October 25, 2014	—	—	(3,529)	—	(3,529)
Net income from other comprehensive income	—	—	—	136	136
Issuance of subordinate voting shares upon exercise of options	40	—	—	—	40
Issuance of subordinate voting shares upon settlement	345	—	—	—	345
Stock options cancelled/expired	—	—	—	—	—
Stock-based compensation	—	577	—	—	577
Balance, October 25, 2014 [Unaudited]	385	1,042	(8,356)	947	(5,982)

See accompanying notes

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**For the thirty-nine weeks ended October 25, 2014 and October 26, 2013 [Unaudited]
and the years ended January 25, 2014 and January 26, 2013**

**[Amounts in thousands of Canadian dollars except per share amounts and
where otherwise indicated]**

1. CORPORATE INFORMATION

The consolidated financial statements of DAVIDsTEA Inc. and its subsidiaries [collectively, the "Company"] were authorized for issue in accordance with a resolution of the Board of Directors on December 19, 2014. The Company is incorporated and domiciled in Canada and its shares are privately held. The registered office is located in Montréal, Québec, Canada.

The Company is engaged in the retail sale of tea and tea-related products in Canada and in the United States. Retail sales are traditionally higher in the fourth fiscal quarter due to the holiday season.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

For all periods up to and including the year ended January 25, 2014, the Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles ["GAAP"] for private enterprises. These consolidated financial statements for the year ended January 25, 2014 are the first the Company has prepared in accordance with IFRS as issued by the IASB, including IFRS 1 "First-Time Adoption of IFRS" and IAS 34 "Interim Financial Reporting". Refer to Note 30 for information on how the Company adopted IFRS.

Accordingly, the Company has prepared consolidated financial statements which comply with IFRS applicable for periods beginning on or after January 29, 2012 as described in the accounting policies below. In preparing these consolidated financial statements, the Company's opening balance sheet was prepared as at January 29, 2012 ["Transition Date"], the Company's date of transition to IFRS.

The Company's fiscal year ends on the last Saturday in January. The years ending January 25, 2014 and January 26, 2013 cover a 52-week fiscal period.

Basis of consolidation

The unaudited interim consolidated financial statements include the accounts of the Company and its wholly owned integrated U.S. subsidiary, DAVIDsTEA (USA) Inc. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany transactions, balances and unrealised gains or losses have been eliminated. The Company has no interests in special purpose entities.

DAVIDsTEA Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the thirty-nine weeks ended October 25, 2014 and October 26, 2013 [Unaudited]
and the years ended January 25, 2014 and January 26, 2013**

**[Amounts in thousands of Canadian dollars except per share amounts and
where otherwise indicated]**

3. SIGNIFICANT ACCOUNTING POLICIES**Cash and short-term deposits**

Cash and short-term deposits in the balance sheet comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. Cash equivalents are carried at fair value.

Inventory valuation

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price of inventory in the ordinary course of business, less any estimated selling costs.

Government assistance

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Property and equipment and assets under finance leases

Property and equipment are initially recorded at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly related to bring the asset to a working condition for its intended use. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of an asset begins once it becomes available for use. Depreciation is charged to income on the following bases:

Furniture and equipment	20% declining balance
Computer hardware	30% declining balance

Items of property and equipment are assessed for impairment as detailed in the accounting policy note on impairment testing (Note 9). Any gain or loss arising on the disposal or derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of loss when the asset is derecognised.

Leasehold improvements are depreciated on the straight-line basis over the initial term of the leases, plus one renewal option period, not to exceed 10 years.

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the thirty-nine weeks ended October 25, 2014 and October 26, 2013 [Unaudited]
and the years ended January 25, 2014 and January 26, 2013

[Amounts in thousands of Canadian dollars except per share amounts and
where otherwise indicated]

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets consist of computer software, trademarks, patents and rights over leased assets. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The depreciation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of income when the asset is derecognised.

Computer software

When computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible. Computer software is amortized on the basis of its estimated useful life using the declining method at the rate of 30%.

Patents & Trademarks

The Company made upfront payments to purchase patents. The patents have been granted for a period of 17 years by the relevant government agency. Patents are amortized on the straight-line basis over 17 years.

The Company made upfront payments to register a trademark with the relevant government agency. The trademark may be renewed at little or no cost to the Company. As a result, the trademark is assessed as having an indefinite useful life and therefore is not amortized.

Rights over leased assets

Rights over leased assets are accounted for at cost and are amortized on the basis of their estimated useful lives, using the straight line method over the lease term.

DAVIDsTEA Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Leases**

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is re-assessed if the terms of the lease are changed.

Leases in which a significant portion of the risks and rewards of ownership are not assumed by the Company are classified as operating leases. The Company carries on its operations in premises under leases of varying terms and renewal options, which are accounted for as operating leases. Payments under an operating lease are recognized in the statement of loss on a straight-line basis over the term of the lease. When a lease contains a predetermined fixed escalation of the minimum rent, the Company recognizes the related rent expense on a straight-line basis and, consequently, records the difference between the recognized rental expense and the amounts payable under the lease as a deferred lease credit. Contingent (sales-based) rentals are recognized as an expense when incurred.

Finance leases that transfer substantially all the risks and rewards of ownership of the leased item to the Company, are recorded as the acquisition of an asset and the assumption of an obligation. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Assets under finance lease are accounted for at cost, which corresponds to the lower of the fair value of the leased property and the present value of the minimum lease payments.

Store opening costs

Store opening costs are expensed as incurred.

Impairment**Impairment of financial assets**

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset [an incurred "loss event"] has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

DAVIDsTEA Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ["CGU"] fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's assets.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Based on the management of operations, the Company has defined each of the commercial premises in which it carries out its activities as a CGU, although where appropriate these premises are aggregated at a district or regional level to form a CGU.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased and if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited to the extent that an asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually as at year-end at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Deferred lease inducements

The deferred lease inducements are composed of free rent and construction allowances obtained upon signing of lease agreements for certain retail stores. They are amortized on a straight-line basis over the term of the related leases, plus one renewal option, to a maximum of 10 years.

Share capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Common shares are classified as equity if they are non-redeemable or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity on approval by the Company's Board of Directors.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effect, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are represented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented in share premium.

Preferred shares

Preferred shares are classified as a financial liability if they are redeemable on a specific date or at the option of the shareholders. Dividends thereon are recognized as interest expense in profit or loss as accrued.

Hybrid financial instruments

Hybrid financial instruments issued by the Company comprise convertible preferred shares that can be converted to common shares at the option of the holders, when the number of shares to be issued is not fixed.

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The equity components on such instruments are separated from the debt host contract (preferred shares redeemable at the option of the holders) and accounted for separately if the economic characteristics and risks of the debt host contract and the embedded derivative (equity components) are not closely related.

Derivative and embedded derivative financial instruments

The Company has issued liability-classified derivatives and embedded derivatives over its Series A and A-1 preferred shares. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value through profit or loss.

Derivatives and separable embedded derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives and separable embedded derivatives are measured at fair value and all changes in their fair value are recognized immediately in profit or loss.

Stock-based compensation

The Company has a stock option plan for employees and directors from which options to purchase common shares are issued [the "Plan"]. Options may not be granted with an exercise price of less than the fair value of the options at the grant date. The awards have no cash settlement alternatives. The vesting requirements are typically service-based and the options normally have a contractual life of seven years.

The fair value of stock-based compensation awards granted to employees is measured at the grant date using the Black Scholes option pricing model. Measurement inputs include the share price on the measurement date, the exercise price of the option, the expected volatility (based on weighted average historical volatility adjusted for changes expected based on publicly available information), the weighted average expected life of the option (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

The value of the compensation expense is recognized over the vesting period of the stock options as an expense included in selling and general administration expenses, with a corresponding increase to contributed surplus in equity. The amount recognized as an expense is adjusted to reflect the Company's best estimate of the number of awards that will ultimately vest. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Any consideration paid by plan participants on the exercise of stock options and the previously recognized compensation cost of the options exercised included in contributed surplus are credited to share capital.

Revenue recognition

Revenue from merchandise sales is net of estimated returns and allowances, excludes sales taxes and is recorded upon delivery to the customer. Revenue is recognized on internet sales when merchandise is shipped and the risks and rewards of ownership have been transferred. Revenues are recorded net of discounts, rebates, estimated returns and amounts deferred related to the issuance of Frequent Steeper points.

Gift cards or gift certificates [collectively referred to as "gift cards"] sold are recorded as deferred revenue and revenue is recognized at the time of redemption or in accordance with the Company's accounting policy for breakage. Breakage income represents the estimated value of gift cards that is not expected to be redeemed by customers and is estimated based on historical redemption patterns. As at October 25, 2014, no breakage income has been recorded.

Loyalty program

The Frequent Steeper loyalty and rewards program allows customers to earn points when they purchase products in the Company's retail stores and on the Company's website. The points can be redeemed for free tea, subject to a minimum number of points being obtained over a limited collection period. Points are issued at the end of each collection period and must be redeemed within 60 days from the date of issuance.

The fair value of points issued is recorded as deferred revenue and recognized as revenue only when the points are redeemed for free products. The fair value of Frequent Steeper points is determined based on expected future redemption rates and estimated cost per point. On an ongoing basis, the Company monitors historical redemption rates. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed. Points revenue is included with total revenues in the Company's consolidated statements of loss.

Finance Income

Interest income is recognized as interest accrues using the effective interest method.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

DAVIDsTEA Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The Company uses the liability method of accounting for deferred income taxes, which requires the establishment of deferred tax assets and liabilities for all temporary differences caused when the tax bases of assets and liabilities differ from their carrying amounts reported in the consolidated financial statements. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Earnings per share

Basic earnings per share are calculated using the weighted average number of shares outstanding during the period.

The diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to include additional shares issued from the assumed conversion of preferred shares and the exercise of stock options, if dilutive. For stock options, the number of additional shares is calculated by assuming that the proceeds from such exercises are used to purchase common shares at the average market price for the period.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized depending on their classification with changes in subsequent measurements being recognized in the statement of loss or other comprehensive income ["OCI"].

The Company has made the following classifications:

- Cash and cash equivalents are classified as "Fair Value through Profit or Loss", and measured at fair value. Changes in fair value are recorded in the statement of loss.
- Accounts receivable are classified as "Loans and Receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.
- Bank indebtedness, trade and other payables, Series A and A-1 preferred shares, and loan from the controlling shareholder and long-term debt are classified as "Other Financial Liabilities". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. The functional currency is the currency of the primary economic environment in which each entity operates.

The assets and liabilities of our U.S. wholly owned subsidiary, whose functional currency is the U.S. dollar, are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates for the period. Differences arising from the exchange rate changes are included in other comprehensive income in the cumulative translation account.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative translation account and reclassified from equity to the consolidated statement of income (loss) on disposal of the net investment.

4. CHANGES IN ACCOUNTING PRINCIPLES

Standards issued but not yet effective

IFRS 9, "Financial Instruments", partially replaces the requirements of IAS 39, "Financial Instruments: Recognition and Measurement". This standard is the first step in the project to replace IAS 39. The IASB intends to expand IFRS 9 to add new requirements for the classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting to become a complete replacement of IAS 39. These changes are applicable for annual periods beginning on or after January 1, 2015, with earlier application permitted. The Company has not yet assessed the future impact of this new standard on its consolidated financial statements.

IFRS 15, "Revenue from Contracts with Customers" replaces IAS 11, "Construction Contracts", and IAS 18, "Revenue", as well as various interpretations regarding revenue. This standard introduces a single model for recognizing revenue that applies to all contracts with customers, except for contracts that are within the scope of standards on leases, insurance and financial instruments. This standard also requires enhanced disclosures. Adoption of IFRS 15 is mandatory and will be effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The Company is currently assessing the impact of adopting this standard on the Company's consolidated financial statements and related note disclosures.

DAVIDsTEA Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with IFRS requires the Company to make judgments, apart from those involving estimation, in applying accounting policies that affect the recognition and measurement of assets, liabilities, revenues, and expenses. Actual results may differ from the judgments made by the Company. Information about judgments that have the most significant effect on recognition and measurement of assets, liabilities, revenues, and expenses are discussed below. Information about significant estimates is discussed in the following section.

Inventory valuation

The Company may record a write-down to reflect management's best estimate of the net realisable value of inventory which includes assumptions and estimates for future sell-through of units, selling prices as well as disposal costs, where appropriate, based on historical experience.

Management continually reviews the carrying value of its inventory, to assess whether a write-down is required, based on current economic conditions and an assessment of sales trends.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. A review for impairment is conducted by comparing the carrying amount of the CGU's assets with their respective recoverable amounts based on value in use. Value in use is determined based on management's best estimate of expected future cash flows, which includes estimates of growth rates, from use over the remaining lease term and discounted using a pre-tax weighted average cost of capital.

Management is required to make significant judgments in determining if individual commercial premises in which it carries out its activities are individual CGUs, or if these units should be aggregated at a district or regional level to form a CGU. The significant judgments applied by management in determining if stores should be aggregated in a given geographic area to form a CGU include the determination of expected customer behaviour and whether customers could interchangeably shop in any of the stores in a given area and whether management views the cash flows of the stores in the group as interdependent.

Hybrid financial instruments and embedded derivatives

As part of assessing whether an instrument is a hybrid financial instrument and contains an embedded derivative, significant judgment is required in evaluating whether the host contract is more akin to debt or equity and whether the host contract is clearly and closely related to the underlying of the derivative. In applying its judgment, the Company relies primarily on the economic characteristics and risks of the instrument as well as the substance of the contractual arrangement. In addition, the fair value evaluation of the embedded financial derivative liability is based on numerous assumptions and estimates that may have a significant impact on the amount recognized as a financial derivative liability.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Additional information about assumptions and estimation uncertainties that may have a significant risk of resulting in adjustments within the next financial year is as follows:

Revenues

The Frequent Steeper program allows customers to earn points on their purchases. The fair value of these points is based on many factors, including the expected future redemption patterns and associated costs. On an on-going basis, the Company monitors trends in redemption patterns and net cost per point redeemed, adjusting the estimated cost per point based on expected future activity. To the extent that estimates differ from actual experience, the Frequent Steeper program costs could be higher or lower. The Company also recognizes revenue from unredeemed Frequent Steeper program points if the likelihood of redemption by the customer is considered remote. The Frequent Steeper program commenced in April 2014.

As at October 25, 2014, the estimated Frequent Steeper Program liability is \$432.

Income taxes

The Company may be subject to audits related to tax risks, and uncertainties exist with respect to the interpretation of tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and income tax expense already recorded. The Company establishes provisions if required, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the entity and the responsible tax authority, which may arise on a wide variety of issues.

6. CASH AND CASH EQUIVALENTS

	October 25, 2014 \$	January 25, 2014 \$	January 26, 2013 \$	January 29, 2012 \$
Cash	2,001	15,350	7,544	2,918
Restricted cash; guaranteed investment certificate held as collateral	—	—	100	100
	<u>2,001</u>	<u>15,350</u>	<u>7,644</u>	<u>3,018</u>

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7. ACCOUNTS AND OTHER RECEIVABLES

	October 25, 2014 \$	January 25, 2014 \$	January 26, 2013 \$	January 29, 2012 \$
Credit card cash clearing receivables	1,151	1,075	653	—
Government remittances	733	—	—	—
Other receivables	509	33	175	165
	<u>2,393</u>	<u>1,108</u>	<u>828</u>	<u>165</u>

8. INVENTORIES

	October 25, 2014 \$	January 25, 2014 \$	January 26, 2013 \$	January 29, 2012 \$
Finished goods	15,792	7,896	9,548	5,099
Finished goods in transit	1,642	2,398	483	—
Packaging	1,856	946	781	269
	<u>19,290</u>	<u>11,240</u>	<u>10,812</u>	<u>5,368</u>

The cost of inventory includes a write-down recorded of \$354 [January 25, 2014 — \$384; October 26, 2013 — \$286; January 26, 2013 — nil] as a result of net realizable value being lower than cost.

9. PROPERTY AND EQUIPMENT AND ASSETS UNDER FINANCE LEASE

	Leasehold improvements \$	Furniture and equipment \$	Computer hardware \$	Total \$
Cost				
Balance, January 29, 2012	15,792	1,933	755	18,480
Acquisitions	10,828	1,191	381	12,400
Balance, January 26, 2013	26,620	3,124	1,136	30,880
Acquisitions	6,936	1,154	236	8,326
Disposals	—	(10)	(0)	(10)
Cumulative translation adjustment	589	45	10	644
Balance, January 25, 2014	34,145	4,313	1,382	39,840
Acquisitions	7,597	1,058	219	8,874
Disposals	—	(7)	—	(7)
Cumulative translation adjustment	97	9	2	108
Balance, October 25, 2014	<u>41,839</u>	<u>5,373</u>	<u>1,603</u>	<u>48,815</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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9. PROPERTY AND EQUIPMENT AND ASSETS UNDER FINANCE LEASE (Continued)

	Leasehold improvements \$	Furniture and equipment \$	Computer hardware \$	Total \$
Accumulated depreciation and impairment				
Balance, January 29, 2012	1,691	423	225	2,339
Depreciation	1,989	380	210	2,579
Impairment	—	—	—	—
Balance, January 26, 2013	3,680	803	435	4,918
Depreciation	3,001	565	235	3,801
Impairment	1,169	23	—	1,192
Cumulative translation adjustment	59	9	3	71
Balance, January 25, 2014	7,909	1,400	673	9,982
Depreciation	2,800	513	187	3,500
Impairment	1,301	—	—	1,301
Disposals	—	3	—	3
Cumulative translation adjustment	23	2	1	26
Balance, October 25, 2014	12,033	1,918	861	14,812
Net Carrying Value				
Balance, January 29, 2012	14,101	1,510	530	16,141
Balance, January 26, 2013	22,940	2,321	701	25,962
Balance, January 25, 2014	26,236	2,913	709	29,858
Balance, October 25, 2014	29,806	3,455	742	34,003

A net carrying value of \$857 [January 25, 2014 — \$922; January 26, 2013 — \$2,055] of the leasehold improvements and furniture and fixtures is held under finance lease. Accumulated depreciation relating to this property and equipment amounts to \$114 [January 25, 2014 — \$49; January 26, 2013 — \$382].

Depreciation expense is reported in the consolidated statement of loss under selling and general administration expenses. For the thirty-nine weeks ended October 25, 2014, the depreciation is \$3,500 [for the thirty-nine weeks ended October 26, 2013 — \$2,719].

For the thirty-nine weeks ended October 25, 2014, an assessment of impairment indicators was performed which caused the Company to review the recoverable amount of the property and equipment for certain CGUs with an indication of impairment. The CGUs reviewed included non-performing stores that no longer met the Company's performance criteria.

An impairment loss of \$1,301 [for the year ended January 25, 2014 — \$1,192; for the year ended January 26, 2013 — nil; for the thirty-nine weeks ended October 26, 2013 — \$156] related to store leasehold improvements and furniture and fixtures was determined by comparing the carrying amount of the CGU's assets; \$1,541 for four CGU's for the thirty-nine weeks ended October 25, 2014 [for the year ended January 25, 2014 — \$1,395 for two CGU's; for the thirty-nine

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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9. PROPERTY AND EQUIPMENT AND ASSETS UNDER FINANCE LEASE (Continued)

weeks ended October 26, 2013 — \$190 for one CGU], with their respective recoverable amounts based on value in use amounting to \$240 for the thirty-nine weeks ended October 25, 2014 [for the year ended January 25, 2014 — \$203; for the thirty-nine weeks ended October 26, 2013 — \$35] and is included in selling, general and administration expenses in the consolidated statement of loss. Value in use was determined based on management's best estimate of expected future cash flows from use over the remaining lease terms, considering historical experience as well as current economic conditions, and was then discounted using a pre-tax weighted average cost of capital of 13.0%.

10. INTANGIBLE ASSETS

	Computer software \$	Patents and trademark \$	Rights over leased assets \$	Total \$
Cost				
Balance, January 29, 2012	1,714	—	—	1,714
Acquisitions	840	33	136	1,009
Disposals	—	—	—	—
Balance, January 26, 2013	2,553	33	136	2,723
Acquisitions	782	25	—	807
Disposals	(352)	—	—	(352)
Cumulative Translation Adjustment	—	—	15	15
Balance, January 25, 2014	2,983	59	151	3,193
Acquisitions	580	13	—	593
Cumulative Translation Adjustment	—	—	2	2
Balance, October 25, 2014	3,563	72	153	3,788
Accumulated depreciation and impairment				
Balance, January 29, 2012	144	—	—	144
Depreciation	599	—	—	601
Balance, January 26, 2013	743	—	—	745
Depreciation	929	—	15	944
Cumulative Translation Adjustment	2	—	2	4
Balance, January 25, 2014	1,674	—	17	1,691
Depreciation	422	—	12	434
Balance, October 25, 2014	2,096	—	29	2,125
Net Carrying Value				
Balance, January 29, 2012	1,570	—	—	1,570
Balance, January 26, 2013	1,810	33	136	1,978
Balance, January 25, 2014	1,309	59	134	1,502
Balance, October 25, 2014	1,467	72	124	1,663

Depreciation for the year is reported in the consolidated statement of income under selling and general administration expenses.

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the thirty-nine weeks ended October 25, 2014 and October 26, 2013 [Unaudited]
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11. OPERATING LOAN

The operating loan represents funds advanced to the Company under a portion of the credit facility referred to in notes 15 and 25 to fund working capital needs.

As at October 25, 2014, no amount was outstanding under this portion of the facility [January 25, 2014 — nil; January 26, 2013 — \$507; January 29, 2012 — nil]. The relevant prime rate was 3% as at October 25, 2014 [January 25, 2014 — 3%; January 26, 2013 — 3%; January 29, 2012 — 3%].

Borrowings under this facility may be obtained in the form of prime rate loans; U.S. base rate loans, bankers' acceptances, letter of credit, LIBOR loans and \$500 of the operating facility is available by letters of credit. The indebtedness will bear interest at the bank's prime rate plus 0.75% per annum, the U.S. base rate plus 0.75% per annum, or the LIBOR rate plus 2% per annum.

The maximum available credit under this portion of the facility is \$5,000, increasing to \$10,000 from September 1 to December 31 each calendar year.

The operating loan is collateralized as described in note 15.

12. TRADE AND OTHER PAYABLES

	October 25, 2014 \$	January 25, 2014 \$	January 26, 2013 \$	January 29, 2012 \$
Trade payable and accrued liabilities	14,454	11,466	6,464	4,610
Accrued interest on loan from shareholder [note 16]	200	30	30	1,283
Government remittances	—	712	800	205
	<u>14,654</u>	<u>12,208</u>	<u>7,294</u>	<u>6,098</u>

13. PROVISIONS

	October 25, 2014 \$
Balance, January 25, 2014	—
Arising during the period	529
Amortized during the period	—
Balance, October 25, 2014	529
Less: Current portion	(171)
Long-term portion of provisions	<u>358</u>

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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13. PROVISIONS (Continued)

Provisions for onerous contracts have been recognized in respect of store leases where the unavoidable costs of meeting the obligations under the lease agreements exceed the economic benefits expected to be received from the contract. The provision was determined based on the present value of the lower of the expected cost of terminating the contract and the expected net cost of operating under the contract.

14. COMMITMENTS AND CONTINGENCIES**Operating lease commitments**

The commercial premises at which the Company carries out its retail operations, its head office and its warehouse locations are leased from third parties. These rental contracts are classified as operating leases since there is no transfer of risks and rewards inherent to ownership.

These leases have varying terms and renewal rights. In many cases the amounts payable to the lessor include a fixed rental payment as well as a percentage of the sales obtained by the Company in the leased premises.

Many leases include escalating rental payments, whereby cash outflows increase over the lease term. Free rental periods are also sometimes included. The expense is recognized on a straight-line basis.

The minimum rentals payable under long-term operating leases are exclusive of certain operating costs for which the Company is responsible. Certain of the operating lease agreements provide for additional annual rentals based on sales.

Included in selling, general and administration expenses for the year ended January 25, 2014 is rent expense of \$11,924 [January 26, 2013 - \$8,113; October 25, 2014 - \$10,864; October 26, 2013 - \$8,558].

The following is a schedule of future minimum lease payments under operating leases:

	October 25, 2014
	\$
Within one year	11,157
After one year but not more than five years	45,973
More than five years	48,119
	<u>105,249</u>

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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14. COMMITMENTS AND CONTINGENCIES (Continued)

The Company also has operating lease commitments amounts payable to a company controlled by the controlling shareholder of the Company:

	October 25, 2014 \$
Within one year	128
After one year but not more than five years	510
More than five years	510
	<u>1,148</u>

The minimum rentals payable under long-term operating leases are exclusive of certain operating costs for which the Company is responsible. Certain of the operating lease agreements provide for additional annual rentals based on sales.

Finance leases

The Company has finance leases for various items of plant and equipment. These leases have terms of renewal, but no purchase options or escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	October 25, 2014		
	Future minimum lease payments \$	Lease interest \$	Present value of future minimum lease payments \$
Within one year	342	19	323
After one year but not more than five years	314	6	308
More than five years	—	—	—
	656	25	631

The weighted average effective interest rate is 3.88% [January 25, 2014 — 3.88%; January 26, 2013 — 3.93%]

Legal claim contingencies

The Company is involved in various claims and litigation arising in the normal course of its business, potential liabilities that may result from these actions are not expected to, in the Company's opinion, have a material effect on the Company's financial position or results of operation.

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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15. LONG-TERM DEBT

	October 25, 2014 \$	January 25, 2014 \$	January 26, 2013 \$	January 29, 2012 \$
[a] Term loan	6,168	8,389	9,402	1,596
Less: Unamortized financing fees and transaction costs	(86)	(119)	—	—
	6,082	8,270	9,402	1,596
[b] Loan from Investissement Québec ["IQ"]	5,000	5,000	—	—
Less: Unamortized financing fees and transaction costs	(65)	(76)	—	—
	4,935	4,924	—	—
Total long-term loans	11,017	13,194	9,402	1,596
Total finance leases [note 14]	631	865	1,518	2,301
Total long-term debt and finance lease obligations	11,648	14,059	10,920	3,897
Less: Current portion of long-term debt and finance lease obligations	(4,284)	(3,608)	(4,181)	(1,316)
Long-term portion of long-term debt and finance lease obligations	7,364	10,451	6,739	2,581

[a] The available credit under a non-revolving term loan is \$9,000 of which \$6,168 has been drawn upon as at October 25, 2014 [January 25, 2014 — \$8,389; January 26, 2013 — \$9,402; January 29, 2012 — \$1,596]. There is also \$15,000 available by way of a finance lease facility of which \$631 has been drawn as at October 25, 2014. However, the aggregate combined indebtedness outstanding under the facilities cannot exceed \$15,000 [January 25, 2014 — \$15,000; January 26, 2013 — \$12,500; January 29, 2012 — \$4,500], of which \$6,168 has been drawn upon by way of term loan and \$631 by way of finance leases, as described in note 14 as at October 25, 2014. The term loan portion of the credit facility is available by way of banker's acceptances, U.S. dollar advances or LIBOR loans. The advances will bear interest at a rate of the bank's prime rate plus 1% per annum, the bank's U.S. base rate plus 1% per annum or LIBOR plus 2.5% per annum. The leasing facility portion of this credit facility is available by way of finance leases and will bear interest at the bank's fixed cost of funds plus 2.65% per annum or LIBOR plus 2% per annum. As at October 25, 2014, the interest rate was 4% [January 25, 2014 — 4%; January 26, 2013 — 4%; January 29, 2012 — 5%] on the non-revolving term loan. Each borrowing under this facility is repayable by consecutive monthly principal payments based on a maximum amortization of three years and a maximum term of three years.

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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15. LONG-TERM DEBT (Continued)

The portions of the credit facility described in [a] above and the operating loan described in note 11 are collateralized by a first rank moveable hypothec in the amount of \$40,000 over the universality of the assets of the Company, present and future, corporeal and incorporeal, including but not limited to accounts receivable, inventory, patents and trademark and a first ranking collateral in favor of the bank under Section 427 of the Bank Act.

In addition, the Company has a \$3,000 revolving facility to purchase forward exchange contracts with a maximum maturity of 12 months, in order to hedge against currency fluctuations in connection with its import purchase and export sales. All borrowings under this facility are due on demand. As at October 25, 2014, no amounts have been drawn under this facility [January 25, 2014-nil, January 26, 2013-nil]

The Company also has an interest-rates swap facility in the amount of \$1,000 to allow up to a 36-month interest rate swap contract to fix the rate of interest payable under the term loan portion of the facility described in [a] above and under its leasing facility described in note 14. As at October 25, 2014, no amount has been drawn under this facility [January 25, 2014-nil, January 26, 2013-nil]

The credit facility contains restrictive covenants which require the Company to respect a fixed charge coverage ratio, a current asset to current liabilities ratio and a debt to tangible net worth ratio. As at October 25, 2014, and January 25, 2014, and January 26, 2013 the Company was in compliance with the restrictive covenants.

Further, the credit facilities restrict the Company's ability to redeem the Series A and A-1 preferred shares [notes 17], repay the loan from controlling shareholder [note 16] and repay the loan from IQ [note 15b], other than the scheduled repayments due to IQ. The Company cannot make any dividend payments.

[b] The term loan from IQ in the amount of \$5,000 bears interest of at a rate of prime plus 6.5% and is used to fund leasehold improvements. The relevant prime rate was 3% as at October 25, 2014 [January 25, 2014 — 3%; January 26, 2013 — 3%]. The loan will be repayable in 60 equal monthly installments amounting to \$83 each, commencing November 2014 which is one year after the first disbursement of the loan.

The loan is collateralized by a second ranking \$6,000 hypothec over the universality of the assets of the Company.

The loan agreement contains restrictive covenants which require the Company to respect a fixed charge coverage ratio, a current asset to current liabilities ratio and a debt to tangible net worth ratio. As at October 25, 2014, and January 25, 2014 and January 26, 2013 the Company was in compliance with the restrictive covenants.

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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15. LONG-TERM DEBT (Continued)

Refer to note 14 for principal repayments on finance leases. Principal repayments are due as follows:

	October 25, 2014 \$
Within one year	3,961
After one year but not more than five years	7,207
More than five years	—
	<u>11,168</u>

16. LOAN FROM CONTROLLING SHAREHOLDER

The Company has a loan from the controlling shareholder. As at October 25, 2014, a loan in the amount of \$3,993 [January 25, 2014 — \$8,690; January 26, 2013 — \$8,690; January 29, 2012 — \$16,190] is outstanding. The loan is non-revolving and bears interest at 4.5% payable on the last business day of the calendar year until the first principal payment date, at which time all accrued but unpaid interest is payable on the payment date for such principal. The loan is payable in 3 equal annual instalments starting after the redemption date of the mandatorily redeemable preferred shares described in note 17, being not more than 90 days after receipt by the Company of a request of redemption from the shareholders or April 3, 2017. If the Series A and A-1 Preferred Shares are not redeemed before April 3, 2020, the principal on the loan is due in three annual installments beginning on April 3, 2020. However, the loan cannot be repaid without the consent of the Company's lenders described in note 15.

During the thirty-nine weeks ended October 25, 2014, the loan was partially reduced by \$4,697 [January 26, 2013 — \$7,500] to account for the issuance of 519,034 Series A-1 Preferred shares [January 26, 2013 — 1,396,648 Series A Preferred Shares] described in note 17.

17. MANDATORILY REDEEMABLE PREFERENCE SHARES

During the thirty-nine weeks ended October 25, 2014, the Company issued 912,689 voting, redeemable Series A-1 preferred shares, convertible into fully paid common shares and providing for an annual cumulative dividend at a rate of 4.5%, accruing daily. These shares shall be redeemed by the Company at a price equal to the issued share price, plus any unpaid accrued dividends thereon, in three annual instalments, commencing not more than 90 days after receipt by the Company of a request of redemption from the shareholders on or after April 3, 2017.

A majority of the holders of Series A and Series A-1 preferred shares acting together as a single class may require the Company to redeem such shares at a price equal to the original issue price plus any accruing dividends that are still unpaid. Accordingly, the Series A and Series A-1 preferred shares and the accumulated dividends have been recorded as a liability in the consolidated balance sheets and are accounted for at amortized cost using the effective interest rate method. They cannot be redeemed without the prior consent of the Company's lenders.

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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17. MANDATORILY REDEEMABLE PREFERENCE SHARES (Continued)

As at October 25, 2014, there were 4,916,413 Series A and Series A-1 preferred shares in issuance described as follows:

	October 25, 2014 \$	January 25, 2014 \$	January 26, 2013 \$	January 29, 2012 \$
4,003,724 Series A preferred shares	18,500	18,500	18,500	—
912,689 Series A-1 preferred shares	8,260	—	—	—
Series A & A-1 preferred shares at issuance	26,760	18,500	18,500	—
Less: Portion attributable to financial derivative liability at issuance	(3,825)	(2,006)	(2,006)	—
Portion attributable to non-derivative liability at issuance	22,935	16,494	16,494	—

The number of Series A preferred shares includes 558,659 Series A preferred shares from the exchange of an equal number of common shares during the year ended January 26, 2013 (see note 18).

The Series A & Series A-1 preferred shares are recorded net of share issue costs of \$795 net of accumulated amortization of \$256 [January 25, 2014 — \$172; January 26, 2013 — \$77; January 29, 2012 — nil].

Series A-1 Redeemable preferred shares at the option of the holder

For Series A-1 preferred shares issued during the thirty-nine weeks ended October 25, 2014, after allocation of financing costs, the net carrying amount of the liability related to the redeemable shares was calculated as \$6,441. This liability is being accreted to its nominal value reflecting accumulated and accrued dividends, using the effective interest rate method.

	October 25, 2014 \$	January 25, 2014 \$	January 26, 2013 \$	January 29, 2012 \$
Shares issued and paid				
4,003,724 Series A preferred shares	17,424	16,910	16,494	—
912,689 Series A-1 preferred shares	6,441	—	—	—
Accrued dividends	2,354	1,514	682	—
Accretion for the period	754	514	416	—
Less: unamortized financing fees	(539)	(489)	(583)	—
Balance, end of year	26,434	18,449	17,009	—

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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17. MANDATORILY REDEEMABLE PREFERENCE SHARES (Continued)

Financial derivative liability

The gross proceeds from the private offering of 3,445,065 Series A preferred shares for \$5.37 per share completed on April 2, 2012, were \$18,500 in cash, gross of financing costs of \$660 and were allocated to the redeemable shares at the option of the holder.

The fair value of the derivative liability was calculated on the issuance date, and an amount of \$2,006 was separated from the host contract and presented as a financial derivative liability.

The gross proceeds from the private offering of 912,689 Series A-1 preferred shares for \$9.05 per share completed on February 24, 2014 and June 2, 2014, were for \$3,563 in cash, \$4,697 as a reduction in the loan from shareholder, gross of financing costs of \$135 and were allocated to the redeemable shares at the option of the holder.

The fair value of the derivative liability was calculated on the issuance date, and an amount of \$1,818 was separated from the host contract and presented as a financial derivative liability.

The fair value of the derivative financial instrument was estimated using the Black Scholes option pricing model, resulting in the following assumptions:

	October 25, 2014	October 26, 2013	January 25, 2014	January 26, 2013
Risk-free interest rate	1.67%	1.44%	1.44%	1.44%
Expected volatility	39%	45%	45%	45%
Life until redemption	2.4 years	3.4 years	3.2 years	4.2 years
Expected dividend yield	0%	0%	0%	0%
Underlying value of common shares	\$6.80	\$6.32	\$7.10	\$3.98

In accordance with the Company's accounting policy on derivative financial instruments, the financial derivative liability embedded in the Company's Series A and Series A-1 preferred shares were separated from the debt host contract at issuance at fair value. The derivative was then revalued at each reporting date.

	October 25, 2014 \$	January 25, 2014 \$	January 26, 2013 \$	January 29, 2012 \$
Balance, beginning of year	8,268	5,966	—	—
New issuances	1,818	—	2,006	—
Net change in fair value	(1,640)	2,302	3,960	—
Balance, end of year	8,446	8,268	5,966	—

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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18. SHARE CAPITAL

Authorized and issued

An unlimited number of voting shares.

2,000,000 non-voting Class AA common shares.

An unlimited number of preferred shares, issuable in series, with rights, privileges, restrictions and conditions determined at the time the series are issued of which the following were authorized:

7,441,341 voting Junior preferred shares, convertible on a one for one basis into fully paid common shares.

4,003,724 voting, redeemable, Series A preferred shares, convertible at the option of the holder, into fully paid common shares as is determined by dividing the Series A preferred shares original issue price by the Series A preferred shares conversion price (as defined in the Articles of the Company) in effect at the time of conversion, providing for an annual cumulative dividend at a rate of 4.5%, accruing daily, payable on redemption or as declared.

912,689 voting, redeemable, Series A-1 preferred shares, convertible into fully paid common shares as is determined by dividing the Series A-1 preferred shares original issue price by the Series A-1 preferred shares conversion price (as defined in the Articles of the Company) in effect at the time of conversion, providing for an annual cumulative dividend at a rate of 4.5%, accruing daily, payable on redemption or as declared.

The Junior, Series A and Series A-1 preferred shares are mandatorily convertible upon the closing of a sale of common shares to the public as determined by the Articles of the Company.

Subsequent to October 25, 2014, the board has approved the issuance of 152,880 voting Series A-2 preferred shares at \$12.31 per share to certain directors of the Company, which were issued on December 15, 2014. These shares are convertible into fully paid common shares as is determined by dividing the Series A-2 preferred shares original issue price by the Series A-2 preferred shares conversion price (as defined in the Articles of the Company) in effect at the time of conversion, providing for an annual cumulative dividend at a rate of 4.5%, accruing daily, payable on redemption or as declared.

The Company has entered into an amended and restated right of first refusal and co-sale agreement with certain of its shareholders in February 2014, which was amended in December 2014. Under the terms of the agreement, the Company has been granted a right of first refusal to purchase shares from each shareholder proposing to make a proposed transfer of shares on the same terms and conditions as the proposed transfer.

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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18. SHARE CAPITAL (Continued)

Issued and outstanding

		October 25, 2014 \$	January 25, 2014 \$	January 26, 2013 \$	January 29, 2012 \$
7,441,341	Junior preferred shares	—	—	—	—
32,514	Common Shares, voting	40	—	—	—
50,000	Class AA common shares	345	—	—	—
		<u>385</u>	<u>—</u>	<u>—</u>	<u>—</u>

During the year ended January 26, 2013, the following transactions occurred:

- [i] 2,000,000 common shares were cancelled and exchanged for 558,659 Series A preferred shares and 1,441,341 Junior preferred shares.
- [ii] 6,000,000 common shares were cancelled and exchanged for 6,000,000 Junior preferred shares.
- [iii] 2,048,417 Series A preferred shares were issued for \$11,000.
- [iv] \$7,500 of the loan from shareholder was converted to 1,396,648 Series A preferred shares.

During the thirty-nine weeks ended October 25, 2014, 32,514 stock options were exercised for common shares for a total consideration of \$40 and the Company issued 50,000 Class AA common shares as part of a settlement in the amount of \$345.

Stock-based compensation

Under the Company's stock option plan ["the Plan"], the Board of Directors ["the Board"] is authorized, at its discretion, to issue stock options to its employees, directors, officers, consultants and other service providers.

Under the Plan, as at October 25, 2014, 1,900,000 common share options and Class AA common share options have been reserved for issuance [January 25, 2014 — 1,495,661; January 26, 2013 — 960,402; January 29, 2012 — 250,000]. During the period, 702,327 options were issued with an exercise price of \$5.07-\$6.89 per share. A total of 1,678,828 common share options have been granted as at October 25, 2014. The options vest between February 1, 2009 and October 24, 2018. Unvested stock options will immediately vest if a liquidation event occurs or the acquisition of control of the Company by an entity that is not an affiliate of the current shareholders. Vested options may be exercised at any time, but within 90 days of termination of the employee's employment, at which point the options will be null and void. Vested options awarded to Company Executives may be exercised at any time, but within 12 months of termination of the employee's employment, at which point the options will be null and void.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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18. SHARE CAPITAL (Continued)

The options vest evenly over a period of 36 or 48 months, with some options vesting monthly and some options vesting annually. There are no cash settlement alternatives for the employees.

As at October 25, 2014, 714,075 options have vested [January 25, 2014 — 559,976; January 26, 2013 — 100,000; January 29, 2012 — 75,000]. Under the terms of the Plan, the exercise price of each option is \$1.00-\$6.89 per share. Options are granted with an exercise price equal to the fair value of the Company's common shares.

The fair value of options granted was estimated using the Black Scholes option pricing model, using the following assumptions:

	October 25, 2014	October 26, 2013	January 25, 2014	January 26, 2013
Risk-free interest rate	1.52%	1.44%	1.44%	1.44%
Expected volatility	39%	45%	45%	45%
Expected option life	7 years	7 years	7 years	7 years
Expected dividend yield	0%	0%	0%	0%
Fair value per option granted	\$3.45	\$0.59	\$0.59	\$0.59

A summary of the status of the Company's stock option plan and changes during the year is presented below. Expected volatility was estimated using implied and historical volatility of similar companies whose share prices were publicly available.

	As at October 25, 2014		As at January 25, 2014	
	Options outstanding #	Weighted average exercise price \$	Options outstanding #	Weighted average exercise price \$
Beginning of year	1,415,430	1.21	1,195,402	1.18
Issued	702,327	5.43	345,000	1.23
Exercised	(32,514)	1.23	—	—
Forfeitures/cancellations	(406,415)	1.23	(125,000)	1.00
Outstanding at end of period	1,678,828	2.97	1,415,430	1.21
Exercisable, end of year	714,075	1.19	544,976	1.18

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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18. SHARE CAPITAL (Continued)

	As at January 26, 2013	
	Options outstanding #	Weighted average exercise price \$
Beginning of year	235,000	1.00
Issued	960,430	1.23
Exercised	—	—
Forfeitures/cancellations	—	—
Outstanding at end of year	1,195,430	1.18
Exercisable, end of year	188,000	1.00

The following table summarizes information about the stock options outstanding at October 25, 2014:

Range of exercise prices	Number outstanding at October 25, 2014 #	Weighted average remaining life	Weighted average exercise price \$	Number of options exercisable at October 25, 2014 #	Weighted average exercise price \$
\$1.00	125,000	1.3 years	1.00	125,000	1.00
\$1.23	851,501	4.8 years	1.23	589,075	1.23
\$5.07 - \$6.89	702,327	6.6 years	5.43	—	—
	1,678,828	5.3 years	2.97	714,075	1.19

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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19. FINANCE COSTS

	October 25, 2014 \$	October 26, 2013 \$	January 25, 2014 \$	January 26, 2013 \$
Short-term				
Interest on bank indebtedness	—	42	42	51
Long-term				
Interest on shareholder loan [note 16]	170	293	391	452
Interest and financing fees on term loan	703	300	564	197
Interest on finance lease	22	30	37	69
Accrued dividends on Preferred Shares — Series A and A-1 [note 17]	840	624	832	682
Other finance costs	3	42	101	378
	<u>1,738</u>	<u>1,289</u>	<u>1,925</u>	<u>1,778</u>
	<u>1,738</u>	<u>1,331</u>	<u>1,967</u>	<u>1,829</u>

20. INCOME TAXES

As at October 25, 2014, the Company's U.S. subsidiary has accumulated losses amounting to US\$12.5 million [US\$9.2 million for January 25, 2014]; which expire during the years 2032 to 2034.

Deferred tax assets have not been recognized in respect of these losses as they may not be used to offset taxable profits elsewhere in the Company and they have arisen in the subsidiary that has been in a loss-making position for some time. The Company evaluated and concluded that it is not probable that deferred tax assets on existing tax losses will be recovered. The subsidiary has neither taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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20. INCOME TAXES (Continued)

A reconciliation of the statutory income tax rate to the effective tax rate is as follows:

	October 25, 2014 %	October 26, 2013 %	January 25, 2014 %	January 26, 2013 %
Statutory tax rate	26.5	26.5	26.5	26.6
Increase (decrease) in income tax rate resulting from:				
Unrecognized benefit on U.S. tax losses	(50.8)	(12.8)	31.3	(35.1)
Non-deductible items and translation adjustments	(4.7)	(23.4)	57.2	(55.3)
Other	3.1	(0.5)	.3	.2
Effective tax rate	(25.9)	(10.2)	115.3	(63.6)

The change in the statutory tax rate was as a result of a decrease in the Canadian corporate tax rate.

Income tax provision (recovery)				
Current	692	612	2,965	1,790
Deferred	35	120	102	(98)
	<u>727</u>	<u>732</u>	<u>3,067</u>	<u>1,692</u>

The tax effects of temporary differences and net operating losses that give rise to deferred income tax assets and liabilities are as follows:

	October 25, 2014 \$	January 25, 2014 \$	January 26, 2013 \$	January 29, 2012 \$
Deferred rent	520	443	306	206
Financing fees	—	—	15	—
Others	20	61	49	—
Total deferred income tax assets	540	504	370	206
Deferred income tax liabilities				
Carrying values of property, plant and equipment in excess of tax basis	(495)	(466)	(437)	(371)
Financing fees	(20)	(9)	—	—
Investment tax credits	—	(11)	—	—
Unrealised foreign exchange gain related to intercompany advances	(229)	(187)	—	—
Total deferred income tax liabilities	(744)	(673)	(437)	(371)
Net deferred income tax asset / (liabilities)	(204)	(169)	(67)	(165)

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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21. EMPLOYEE BENEFIT EXPENSES

Included in selling, general and administration expenses are the following employee benefit expenses:

	October 25, 2014 \$	October 26, 2013 \$	January 25, 2014 \$	January 26, 2013 \$
Wages, salaries and employee benefits	28,064	22,520	32,711	23,828
Stock-based compensation	577	618	671	237
	<u>28,641</u>	<u>23,138</u>	<u>33,382</u>	<u>24,065</u>

22. EARNINGS PER SHARE

Basic earnings per share ["EPS"] amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, unless these would be anti-dilutive.

The following reflects the income and share data used in the basic and diluted EPS computations:

	October 25, 2014 \$	October 26, 2013 \$	January 25, 2014 \$	January 26, 2013 \$
Weighted average number of shares outstanding — basic	7,474,966	7,541,341	7,541,341	7,617,784

For all periods above, as a result of the net loss for all periods, the stock options disclosed in Note 18 and the Series A and Series A-1 preferred shares disclosed in Note 17 are anti-dilutive.

23. RELATED PARTY DISCLOSURES

During the year, the Company occupied and paid rent on a property leased from a Company controlled by the controlling shareholder amounting to \$143 during the thirty-nine weeks ended October 25, 2014 [January 25, 2014 — \$304; January 26, 2013 — \$293].

Additionally, interest was incurred on the controlling shareholder loan amounting to \$184 as at October 25, 2014 [January 25, 2014 — \$391; January 26, 2013 — \$452] of which \$0 [January 25, 2014 — \$391; January 26, 2013 — nil] was paid.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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23. RELATED PARTY DISCLOSURES (Continued)

Dividends on Series A and A-1 preferred shares of \$840 were accrued over the thirty-nine weeks ended October 25, 2014. As well, the Company paid nil for the thirty-nine weeks ended October 25, 2014 [January 25, 2014 — \$24; October 25, 2014 — nil; January 26, 2013 — \$68] for air travel services to a company associated to a shareholder. The transactions referred to above are measured at the exchange amount, being the consideration established and agreed to by the related parties.

Transactions with key management personnel

Key management of the Company includes members of the Board of Directors as well as members of the Executive Committee. The compensation earned by key management in aggregate was as follows:

	October 25, 2014 \$	October 26, 2013 \$	January 25, 2014 \$	January 26, 2013 \$
Related party disclosures				
Wages, salaries, bonus and consulting	2,898	2,181	3,164	2,043
Stock-based compensation, including employees and directors	503	151	195	242
Total remuneration	3,401	2,332	3,359	2,285

24. SEGMENT INFORMATION

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are regularly reviewed by the Company's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company operates in Canada and the United States. The Company operates in the retail of tea and related tea-products. The Company operates in two operating segments, Canada and the United States. For reporting purposes, these two segments meet the aggregation criteria to be reported as one, as Canada and the United States sell similar products, have similar types of customers, and similar distribution channels.

DAVIDsTEA Inc.

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24. SEGMENT INFORMATION (Continued)

For management purposes, the Company's sales are as follows:

	October 25, 2014 \$	October 26, 2013 \$	January 25, 2014 \$	January 26, 2013 \$
Tea	53,582	40,413	72,058	47,165
Tea accessories	16,510	13,229	25,046	17,851
Food and beverages	10,023	7,872	11,065	8,042
Total	80,115	61,514	108,169	73,058

Sales by country are as follows:

	October 25, 2014 \$	October 26, 2013 \$	January 25, 2014 \$	January 26, 2013 \$
Canada	72,815	55,987	99,412	71,608
US	7,300	5,527	8,757	1,450
Total	80,115	61,514	108,169	73,058

Non current assets by country are as follows:

	October 25, 2014 \$	January 25, 2014 \$	January 26, 2013 \$	January 29, 2012 \$
Canada	27,260	24,822	22,026	16,655
US	7,105	5,346	5,914	1,056
Total	34,365	30,168	27,940	17,711

25. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, including risks related to foreign exchange, interest rate, credit, and liquidity.

Currency risk — foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's foreign exchange risk is largely limited to currency fluctuations between the Canadian and U.S. dollars. The Company is

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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25. FINANCIAL RISK MANAGEMENT (Continued)

exposed to currency risk through its cash, accounts receivable and accounts payable denominated in U.S. dollars.

The Company did not use any forward contracts to manage foreign exchange risk in fiscal 2014 (2013 — no forward contracts).

The Company's foreign exchange exposure is as follows:

	October 25, 2014 \$	January 25, 2014 \$	January 26, 2013 \$	January 29, 2012 \$
Cash	(48)	676	—	—
Accounts receivable	147	81	—	—
Operating loan	—	—	89	214
Accounts payable	1,350	1,732	409	220

The Company's U.S. subsidiary's transactions are denominated in U.S. dollars.

Market risk — interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments that potentially subject the Company to cash flow interest rate risk include financial assets and liabilities with variable interest rates and consist of cash and bank indebtedness. The Company is exposed to cash flow risk on its revolving credit facility and long-term debt which bear interest at variable interest rates [see notes 11 and 15] while the loan from the controlling shareholder subjects the Company to fair value risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure, to the extent possible, that it will always have sufficient liquidity to meet liabilities when due. The Company's liquidity follows a seasonal pattern based on the timing of inventory purchases and capital expenditures. The Company is exposed to this risk mainly in respect of its operating loan, accounts payable and accrued liabilities, obligations under capital leases, long-term debt, loan from the controlling shareholder, preferred share redemptions, and operating lease commitments.

As at October 25, 2014, the Company had \$2,001 in cash. In addition, as outlined in note 15, the Company had a committed asset-based credit facility [note 11] of \$5,000 to \$10,000, of which nil was drawn as at October 25, 2014.

The Company expects to finance its growth in store base and its store renovations through cash flows from operations, long-term debt [notes 14 and 15] as well as its credit facility.

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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25. FINANCIAL RISK MANAGEMENT (Continued)

The Company expects that its trade and other payables will be discharged within 90 days and its long-term debt discharged as contractually agreed and as disclosed in notes 14 and 15.

The following table summarizes the obligations as of October 25, 2014, and the effect such obligations are expected to have on liquidity and cash flows in future periods.

	Total	Payments Due By Period		
		less than 1 year	Between 1 and 5 years	More than 5 years
Trade and other payables	14,654	14,654	—	—
Long-term debt obligations	11,168	3,961	7,207	—
Finance lease obligations	656	342	314	—
Loan from controlling shareholder	3,993	—	3,993	—
Operating lease obligations	105,249	11,157	45,973	48,119
Operating lease obligations to controlling shareholder	1,148	128	510	510
Series A and A-1 redeemable preferred shares	26,760	—	26,760	0
Accrued dividends	2,354	—	2,354	—
	<u>165,982</u>	<u>30,242</u>	<u>87,111</u>	<u>48,629</u>

Credit risk

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to the Company. The Company's maximum exposure to credit risk at the reporting date is equal to the carrying value of accounts receivable. Accounts receivable primarily consists of receivables from retail customers who pay by credit card, recoveries of credits from suppliers for returned or damaged products, and receivables from other companies for sales of products, gift cards and other services. Credit card payments have minimal credit risk and the limited number of corporate receivables is closely monitored.

Fair values

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the "Financial Instruments" section of note 3 describe how the categories of financial instruments are measured and how income and expenses, including fair

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25. FINANCIAL RISK MANAGEMENT (Continued)

value gains and losses, are recognized. The classification of financial instruments, as well as their carrying values and fair values, are shown in the tables below:

	October 25, 2014		January 25, 2014	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Financial liabilities				
Long-term debt	11,168	11,168	13,194	13,194
Loan from shareholder	3,993	3,993	8,690	8,690
Preferred shares—Series A and A-1	26,434	26,434	18,449	18,449
Financial derivative liability embedded in preferred shares—Series A and A-1	8,446	8,446	8,268	8,268

	January 26, 2013		January 29, 2012	
	Carrying value	Carrying value	Carrying value	Fair value
	\$	\$	\$	\$
Financial liabilities				
Long-term debt	9,402	9,402	1,596	1,596
Loan from shareholder	8,690	8,690	16,190	16,190
Preferred shares—Series A and A-1	17,009	17,009	—	—
Financial derivative liability embedded in preferred shares— Series A and A-1	5,966	5,966	—	—

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. Accordingly, the estimated fair values are not necessarily indicative of the amounts the Company could realise or would pay in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described below:

- The estimated fair value of long-term debt bearing variable rates is considered to approximate its carrying value [Level 2].
- The estimated fair value of loan from shareholder was determined by discounting expected cash flows rates currently offered to the Company for similar debt [Level 3].

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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25. FINANCIAL RISK MANAGEMENT (Continued)

- The estimated fair value of Series A and A-1 preferred shares was determined by discounting expected future cash flows rates at the discount rates which represent the cost of borrowing those cash flows [Level 3].
- The carrying value of the financial derivative liability is its fair value [Level 3].
- As disclosed in Note 17, the fair value of the financial derivative liability is estimated using the Black Scholes option pricing model, which assumes an expected volatility. Each 1% change in the expected volatility would increase/decrease the carrying value of the financial derivative liability by approximately \$160.

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly (i.e. as prices) or indirectly (i.e. derived from prices) observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

There were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the thirty-nine weeks ended October 25, 2014 and the years ended January 25, 2014 and January 26, 2013.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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25. FINANCIAL RISK MANAGEMENT (Continued)

Reconciliation of Level 3 fair values

Changes in fair value of Level 3 financial instruments were as follows, for the thirty-nine weeks ended October 25, 2014 and the years ended January 25, 2014 and January 26, 2013.

	Fair value of Level 3 financial instruments		
	October 25, 2014	January 25, 2014	January 26, 2013
	\$	\$	\$
Balance, beginning of the period	35,407	31,665	16,190
Addition through issuance of Preferred shares Series A-1	8,260	—	18,500
Accretion expense and accrued dividends on Preferred shares— Series A and A-1	(97)	3,742	4,475
Repayments of loan to shareholder	(4,697)	—	(7,500)
Balance, end of period	<u>38,873</u>	<u>35,407</u>	<u>31,665</u>

26. MANAGEMENT OF CAPITAL

As at October 25, 2014, the Company's capital is composed of long-term debt, including the current portions, and shareholders' equity as follows:

	October 25, 2014	January 25, 2014	January 26, 2013
	\$	\$	\$
Current portion of long-term debt	4,284	3,608	4,181
Long-term debt	7,364	10,451	6,739
Loan from shareholder	3,993	8,690	8,690
Total debt	15,641	22,749	19,610
Series A and A-1 Preferred Shares	26,434	18,449	17,009
Financial derivative liability	8,446	8,268	5,966
Shareholder's equity [excluding accumulated other comprehensive income]	(6,929)	(4,362)	(3,832)
Total capital under management	<u>43,592</u>	<u>45,104</u>	<u>38,753</u>

The Company's primary uses of capital are to finance increases in non-cash working capital along with capital expenditures for its store expansion and renovation program as well as information technology and infrastructure improvements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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26. MANAGEMENT OF CAPITAL (Continued)

The Company currently funds these requirements from cash flows related to operations as well as its financial resources, which include a cash balance of \$2,001 as at October 25, 2014, its lines operating loan [note 11], long-term debt [notes 14 and 15] and through its issuances of preferred shares [note 17]. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements.

The Company is subject to certain non-financial covenants related to its credit facilities and long-term debt, all of which were met as at October 25, 2014, January 25, 2014 and January 26, 2013. There has been no change with respect to the overall capital risk management strategy during the thirty-nine weeks ended October 25, 2014 and the years ended January 25, 2014 and January 26, 2013.

27. CHANGES IN NON-CASH WORKING CAPITAL

	October 25, 2014 \$	October 26, 2013 \$	January 25, 2014 \$	January 26, 2013 \$
Accounts receivable	(1,285)	(323)	(280)	(663)
Inventories	(8,051)	(7,087)	(240)	(5,443)
Income tax receivable	(1,398)	—	—	50
Prepaid expenses and deposits	(139)	1,230	(258)	(1,365)
Accrued dividends	840	624	832	682
Trade and other payables	2,446	1,812	4,914	1,196
Income taxes payable	(1,183)	547	(371)	1,526
Deferred rent & lease inducements	946	524	792	765
Deferred revenue	432	—	—	—
Net change in non-cash working capital items related to operations	(7,392)	(2,673)	5,389	(3,252)

28. GUARANTEES

Some agreements to which the Company is party, specifically those related to debt agreements and the leasing of its premises, include indemnification provisions that may require the Company to make payments to a third party for breach of fundamental representation and warranty terms in the agreements, with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer, employment matters, litigation, taxes payable and other potential material obligations. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is not reasonably quantifiable as certain indemnifications are not subject to a monetary limitation. As at October 25, 2014, management does not believe that these indemnification provisions would require any material cash

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28. GUARANTEES (Continued)

payment by the Company, and insurance coverage, estimated by management to be reasonable and sufficient, exists in order to minimize the previously mentioned risks.

The Company indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers as well as those of its subsidiary.

29. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

30. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company is a private enterprise that has elected to adopt IFRS as of January 27, 2013.

These consolidated financial statements, for the year ended January 25, 2014, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended January 25, 2014, the Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting policies in line with accounting standards for private enterprises ["Canadian GAAP"].

The Company adopted IFRS effective January 27, 2013 with a transition date of January 29, 2012 ["transition date"]. Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods ending on or after January 26, 2013 using the accounting policies in note 3.

In preparing these financial statements, the Company's opening balance sheet statement was prepared as at January 29, 2012, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its Canadian GAAP balance sheet statement as at January 29, 2012 and its previously published Canadian GAAP financial statements as at and for the years ended January 25, 2014 and January 26, 2013.

IFRS 1 generally requires that an entity apply all IFRS standards effective at the end of its first IFRS reporting year retrospectively. However, IFRS 1 does include certain mandatory exemptions and limited optional exemptions from this general requirement. The following mandatory exemptions apply to the Company:

Estimates

Estimates made in accordance with IFRS at transition date are consistent with those determined under Canadian GAAP, except where they were impacted by a difference in accounting policy. Hindsight is not used to create or revise estimates.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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30. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

In addition, the Company has elected to use the following optional exemptions:

Share-based Payments ["IFRS 2"]

IFRS 1 provides different options in how to apply IFRS 2 for the first time. IFRS allows an entity to elect to apply an exemption that allows the Company not to apply IFRS 2 to equity instruments granted on or before November 7, 2002 or to equity instruments granted after November 7, 2002 that had vested by the transition date. The Company has not elected to apply this exemption. The Company has elected to apply IFRS retrospectively to all share-based payment transactions occurring before the date of transition to IFRS.

Fair Value or Revaluation as Deemed Cost

IFRS 1 provides a choice between measuring property, plant and equipment at its fair value on transition date and using those amounts as deemed cost, or using the historical valuation under the previous GAAP. The Company has elected not to apply this exemption. The Company will continue to apply the cost model for property, plant and equipment and will not restate property, plant and equipment to fair value under IFRS.

Cumulative Translation Differences

IFRS 1 provides an optional exemption such that the cumulative translation differences for all foreign operations are deemed to be zero at January 29, 2012. The Company elected to apply this exemption.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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30. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Reconciliation of consolidated statement of income (loss) and comprehensive income (loss) for the thirty-nine weeks ended October 26, 2013 and for the years ended January 25, 2014 and January 26, 2013

		Canadian GAAP balance \$	IFRS reclassifications \$	IFRS adjustments \$	IFRS balance \$
JANUARY 25, 2014					
Sales	Explanation	108,169			108,169
Cost of sales		29,498	18,905		48,403
Rent, delivery and distribution		18,905	(18,905)		—
Gross profit		59,766	—	—	59,766
Selling and general administration expenses	[a], [b] and [c]		51,239	1,130	52,369
Selling expenses		28,851	(28,851)		—
Amortization — stores		3,619	(3,619)	—	—
Store operations		2,708	(2,708)	—	—
Amortization — head office		1,132	(1,132)	—	—
Impairment		227	(227)	—	—
Marketing		1,651	(1,651)	—	—
Team and merchandising		2,451	(2,451)	—	—
Information processing		1,751	(1,751)	—	—
Other administration		7,819	(7,819)	—	—
Stock compensation		622	(622)	—	—
Foreign exchange (gain) loss		325	(325)	—	—
Bank charges		83	(83)	—	—
Result from operating activities		8,527	—	(1,130)	7,397
Finance costs			1,967	—	1,967
Amortization — financing fees		114	(114)	—	—
Interest expense		1,808	(1,808)	—	—
Finance income		—	(45)	—	(45)
Accretion of preferred shares	[e]	—	—	514	514
(Gain) loss from embedded derivative on Series A and A-1 preferred shares	[e]	—	—	2,302	2,302
Income (loss) before income taxes		6,605	—	(3,946)	2,659
Provision for income taxes	[d]	(3,083)	—	16	(3,067)
Net income		3,522	—	(3,930)	(408)
Cumulative translation adjustment	[c]			811	811
Net income (loss) and comprehensive income		3,522	—	(3,119)	403

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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30. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

JANUARY 26, 2013	Explanation	Canadian GAAP balance \$	IFRS reclassifications \$	IFRS adjustments \$	IFRS balance \$
Sales		73,058	—	—	73,058
Cost of sales		19,005	13,172	—	32,177
Rent, delivery and distribution		13,172	(13,172)	—	—
Gross profit		40,881	—	—	40,881
Selling and general administration expenses	[b]	37,213	37,213	125	37,338
Selling expenses		20,635	(20,635)	—	—
Amortization — stores		2,439	(2,439)	—	—
Store operations		2,701	(2,701)	—	—
Amortization — head office		741	(741)	—	—
Impairment		—	—	—	—
Marketing		1,437	(1,437)	—	—
Team and merchandising		2,135	(2,135)	—	—
Information processing		1,072	(1,072)	—	—
Other administration		5,932	(5,932)	—	—
Stock compensation		112	(112)	—	—
Foreign exchange (gain) loss		(39)	39	—	—
Bank charges		48	(48)	—	—
Result from operating activities		3,668	—	(125)	3,543
Finance costs		—	1,829	—	1,829
Transaction expenses		379	(379)	—	—
Amortization — financing fees		77	(77)	—	—
Interest expense		1,373	(1,373)	—	—
Finance income		—	—	—	—
Accretion of preferred shares	[c], [e]	—	—	416	416
(Gain) loss from embedded derivative on Series A and A-1 preferred shares	[c], [e]	—	—	3,960	3,960
Income (loss) before income taxes		1,839	—	(4,501)	(2,662)
Provision for income taxes	[d]	1,692	—	—	1,692
Net income	[c]	147	—	(4,501)	(4,354)
Cumulative translation adjustment		—	—	—	—
Net income (loss) and comprehensive income		147	—	(4,501)	(4,354)

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the thirty-nine weeks ended October 25, 2014 and October 26, 2013 [Unaudited]
and the years ended January 25, 2014 and January 26, 2013

[Amounts in thousands of Canadian dollars except per share amounts and
where otherwise indicated]

30. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

October 26, 2013

	Explanation	Canadian GAAP balance	IFRS reclassifications	IFRS adjustments	IFRS balance
Sales		61,514	—	—	61,514
Cost of sales		28,816	—	—	28,816
Gross profit		32,698	—	—	32,698
Selling and general administration expenses	[a], [b]	34,576	—	132	34,708
Results from operating activities		(1,878)	—	(132)	(2,010)
Finance costs		1,331	—	—	1,331
Finance income		(26)	—	—	(26)
Accretion of preferred shares	[e]	—	—	384	384
(Gain)/Loss from embedded derivative on Series A and A-1 preferred shares	[e]	—	—	3,511	3,511
IPO related costs		—	—	—	—
Settlement cost related to former option holder		—	—	—	—
Loss before income taxes		(3,183)	—	(4,027)	(7,210)
Provision for income tax	[d]	732	—	—	732
Net loss		(3,915)	—	(4,027)	(7,942)
Cumulative translation adjustment		0	—	266	266
Net loss and comprehensive income		(3,915)	—	(3,761)	(7,676)

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the thirty-nine weeks ended October 25, 2014 and October 26, 2013 [Unaudited]
and the years ended January 25, 2014 and January 26, 2013

[Amounts in thousands of Canadian dollars except per share amounts and
where otherwise indicated]

30. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Group reconciliation of equity for the years ended January 25, 2014, January 26, 2013 and January 29, 2012

The following is a reconciliation of the Company's total shareholders' equity reported in accordance with Canadian GAAP to its total equity in accordance with IFRS as at:

	Notes	As at January 25, 2014	As at January 26, 2013	Opening Balance As at January 29, 2012
Total shareholders' equity under Canadian GAAP		3,895	544	285
Differences increasing (decreasing) reported amount:				
Carried-over from previous period		(4,376)	—	—
Impairment of capital assets	[a], [c]	(965)	—	—
Changes to depreciation resulting from impairment	[a], [c]	6	—	—
Recognition of embedded derivative liability on preferred shares	[e]	(2,302)	(3,960)	—
Accretion of preferred shares	[e]	(514)	(416)	—
Income taxes		17	—	—
Currency translation adjustment	[c]	811	—	—
Foreign currency translation adjustment to expense	[c]	(123)	—	—
Total equity (deficiency) under IFRS		<u>(3,551)</u>	<u>(3,832)</u>	<u>285</u>

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the thirty-nine weeks ended October 25, 2014 and October 26, 2013 [Unaudited]
and the years ended January 25, 2014 and January 26, 2013

[Amounts in thousands of Canadian dollars except per share amounts and
where otherwise indicated]

30. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Reconciliation of balance sheets as at January 26, 2013 and January 25, 2014

JANUARY 25, 2014	Explanation	Canadian GAAP balance \$	IFRS reclassifications \$	IFRS adjustments \$	IFRS balance \$
ASSETS					
Current					
Cash and cash equivalents		15,350	—	—	15,350
Accounts and other receivables	[c]	1,105	—	3	1,108
Inventories	[c]	11,205	—	35	11,240
Income tax receivable		—	—	—	—
Prepaid expenses and supplies		2,213	(2,213)	—	—
Deposits		583	(583)	—	—
Prepaid expenses and deposits	[c]	—	2,846	42	2,888
Total current assets		30,456	50	80	30,586
Restricted cash	[f]	—	—	—	—
Investment, at cost		50	(51)	—	—
Property and equipment	[a], [c]	30,209	—	(351)	29,858
Intangible assets	[c]	1,488	—	14	1,502
		62,203	0	(257)	61,946
LIABILITIES AND EQUITY					
Current					
Accounts payable and accrued liabilities	[c]	12,194	—	14	12,208
Income taxes payable	[d]	1,157	—	26	1,183
Capital lease obligations due within one year		314	(314)	—	—
Long-term debt due within one year		3,294	(3,294)	—	—
Current portion of long-term debt and financial lease obligations		—	3,608	—	3,608
Total current liabilities		16,959	—	40	16,999
Deferred rent		2,321	(2,321)	—	—
Deferred lease inducements		150	(150)	—	—
Deferred rent and lease inducements		—	2,471	—	2,471
Deferred income taxes	[d], [f]	211	—	(42)	169
Loan from the controlling shareholder		8,690	—	—	8,690
Capital lease obligations		551	(551)	—	—
Long-term debt		9,900	(9,900)	—	—
Long-term debt and finance lease obligations		—	10,451	—	10,451
Preferred shares — Series A	[e]	19,526	—	(1,077)	18,449
Financial derivative liability embedded in preferred shares — Series A and A-1	[e]	—	—	8,268	8,268
		58,308	—	7,189	65,497
Equity					
Capital stock		—	—	—	—
Contributed surplus	[b]	290	—	175	465
Retained earnings		3,605	—	(8,432)	(4,827)
Accumulated other comprehensive income	[c]	—	—	811	811
Total equity		3,895	—	(7,446)	(3,551)
		62,203	—	(257)	61,946

DAVIDsTEA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the thirty-nine weeks ended October 25, 2014 and October 26, 2013 [Unaudited]
and the years ended January 25, 2014 and January 26, 2013

[Amounts in thousands of Canadian dollars except per share amounts and
where otherwise indicated]

30. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

JANUARY 26, 2013	Explanation	Canadian GAAP balance \$	IFRS reclassifications \$	IFRS adjustments \$	IFRS balance \$
ASSETS					
Current					
Cash and cash equivalents		7,544	100	—	7,644
Accounts and other receivables		828	—	—	828
Inventories		10,812	—	—	10,812
Income tax receivable		—	—	—	—
Prepaid expenses and supplies		2,247	(2,247)	—	—
Deposits		333	(333)	—	—
Prepaid expenses and deposits		—	2,630	—	2,630
Total current assets		21,764	150	—	21,914
Restricted cash		100	(100)	—	—
Investment, at cost		50	(50)	—	—
Property and equipment		25,962	—	—	25,962
Intangible assets		1,978	—	—	1,978
		49,854	—	—	49,854
LIABILITIES AND EQUITY					
Current					
Operating loan		507	—	—	507
Accounts payable and accrued liabilities		7,294	—	—	7,294
Income taxes payable		1,554	—	—	1,554
Capital lease obligations due within one year		814	(814)	—	—
Long-term debt due within one year		3,367	(3,367)	—	—
Current portion of long-term debt		—	4,181	—	4,181
Total current liabilities		13,536	—	—	13,536
Deferred rent		1,561	(1,561)	—	—
Deferred lease inducements		118	(118)	—	—
Deferred rent and lease inducements		—	1,679	—	1,679
Capital lease obligations		704	(704)	—	—
Long-term debt		6,035	(6,035)	—	—
Long-term debt and finance lease obligations		—	6,739	—	6,739
Loan from controlling shareholder		8,690	—	—	8,690
Preferred shares — Series A	[e]	18,599	—	(1,590)	17,009
Financial derivative liability embedded in preferred shares — Series A and A-1	[e]	—	—	5,966	5,966
Deferred income taxes	[d], [f]	67	—	—	67
		49,310	—	4,376	53,686
Equity					
Capital stock		—	—	—	—
Contributed surplus	[b]	112	—	125	237
Retained earnings		432	—	(4,501)	(4,069)
Total equity		544	—	(4,376)	(3,832)
		49,854	—	—	49,854

DAVIDsTEA Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the thirty-nine weeks ended October 25, 2014 and October 26, 2013 [Unaudited]
and the years ended January 25, 2014 and January 26, 2013**

**[Amounts in thousands of Canadian dollars except per share amounts and
where otherwise indicated]**

30. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)**Material adjustments to consolidated statements of cash flows**

IFRS requires cash flows from interest received and paid, and income taxes paid, to be disclosed directly in the consolidated statement of cash flows. Under Canadian GAAP, the Company disclosed interest and income taxes paid as supplementary information in the consolidated financial statements. This has resulted in a change to the presentation of the consolidated statements of cash flows for all periods presented in these consolidated financial statements. There are no material differences between the Company's consolidated statements of cash flows presented under IFRS and the consolidated statements of cash flows presented under Canadian GAAP.

Notes to the reconciliations of equity, and income (loss) and comprehensive income

The preceding are reconciliations of the consolidated financial statements previously presented under Canadian GAAP to the consolidated financial statements prepared under IFRS. Items identified as "IFRS adjustments" are required as the accounting treatment under Canadian GAAP differs from the treatment under IFRS. Items identified as "IFRS reclassifications" are solely presentation reclassifications required to present the previous Canadian GAAP consolidated financial statement line items on a consistent basis with that of the IFRS presentation. Details on the nature of both types of changes are described below.

[a] Impairment of Property, plant and equipment

IFRS uses a one-step approach in both testing for and measurement of impairment, with CGU carrying values compared directly with recoverable amount. Capital asset impairment testing for the Company is performed at the store level and previously recognized impairment losses will be reversed if the recoverable amount of the capital asset or CGU exceeds its carrying amount, but only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. The Company has revised its impairment testing model to comply with the requirements of IAS 36. Under the IFRS testing model, the Company recognized increased impairment of capital assets. The estimates used for this analysis were consistent with the estimates used under Canadian GAAP and were adjusted for accounting policy differences where necessary. The Company did not identify any reversals of previously recorded impairment losses.

As a result of this change in policy, the Company has recorded an impairment charge to property and equipment in the amount of \$1,192 as at January 25, 2014, of which \$156 was for the thirty-nine weeks ended October 26, 2013.

The impairment losses were determined by comparing the carrying amount of the CGU's net assets with their respective recoverable amounts based on value in use. Value in use was determined based on management's best estimate of expected future cash flows from use over the remaining lease terms and was then discounted using a pre-tax weighted average cost of capital of 13%. The tax impact resulting from the impairment charge is only attributable to a Canadian store.

DAVIDsTEA Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the thirty-nine weeks ended October 25, 2014 and October 26, 2013 [Unaudited]
and the years ended January 25, 2014 and January 26, 2013**

**[Amounts in thousands of Canadian dollars except per share amounts and
where otherwise indicated]**

30. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Impairment of capital assets recorded as part of the Company's IFRS transition resulted in a change in temporary differences for income tax purposes. Refer to note 20 on Income Taxes.

[b] Share-based payments

Under Canadian GAAP, share-based payment expenses were recognized on a straight-line basis over the vesting period, and forfeitures were accounted for as they occurred.

Under IFRS, each tranche of a share-based payment is considered a separate grant with a different vesting date and fair value, and each tranche is accounted for separately using graded vesting. Forfeitures must be estimated and recognized in the current period, with revisions for actual forfeitures in subsequent periods. The methodology of calculating the Company's share-based payment expense was revised to be in compliance with the above IFRS requirements. Accordingly, IFRS adjustments made to the Company's total share-based payment expense resulted in a net decrease to retained earnings.

[c] Foreign currency translation

Under IFRS, the Company recognised translation differences on foreign operations in other comprehensive income and accumulated other comprehensive income. Cumulative currency translation differences for all foreign operations are deemed to be zero as at January 29, 2012. The resulting adjustment was recognised against retained earnings.

[d] Deferred tax

The various transitional adjustments lead to different temporary differences. According to the accounting policies in Note 3 and 20, the Company has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

[e] Preferred shares

Under Canadian GAAP, the Company had mandatorily redeemable preferred shares that were accounted at the issuance price as a liability. Under IFRS, these were classified as liabilities at amortized cost, with a component attributed to a financial derivative liability. Refer to notes 3 and 17.

[f] Presentation of Consolidated Balance Sheets

IFRS does not require presentation of restricted cash as a separate line item on the face of the balance sheets. Following a review of the Company's cash disclosure requirements under IFRS, management has chosen to disclose restricted cash in its note disclosures instead of on the face of the balance sheets.

Under IFRS terminology, future tax assets have been renamed to deferred tax assets. IFRS does not separately present deferred tax assets as current and non-current. As such, Canadian GAAP current future tax assets have been reclassified as IFRS non-current deferred tax assets on the Company's consolidated balance sheets.

Through and including _____, 2015 (25 days after the date of this prospectus), all dealers that effect transactions in our common shares, whether or not participating in this offering, may be required to deliver a prospectus. This delivery is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to their unsold allotments or subscriptions.

Shares

DAVIDsTEA Inc.

Common Shares

PROSPECTUS

Goldman, Sachs & Co.

J.P. Morgan

BofA Merrill Lynch

BMO Capital Markets

William Blair

, 2015

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 6. Indemnification of directors and officers

Section 124 of the CBCA authorizes corporations to indemnify past and present directors, officers and certain other individuals for the liabilities incurred in connection with their services as such (including costs, expenses and settlement payments) if such individual acted honestly and in good faith with a view to the best interest of the corporation and, in the case of a criminal or administrative proceeding, if such individual had reasonable grounds for believing his or her conduct was lawful. In the case of a suit by or on behalf of the corporation, a court must approve the indemnification.

Upon completion of this offering, our bylaws will provide that we shall indemnify directors and officers to the extent required or permitted by law.

Prior to the completion of this offering, we intend to enter into agreements with our directors and officers (each an "Indemnitee" under such agreements) to indemnify the Indemnitee, to the extent permitted by law and subject to certain limitations, against all costs reasonably incurred by an Indemnitee in an action or proceeding to which the Indemnitee was made a party by reason of the Indemnitee being an officer or director of (i) our company or (ii) an organization of which our company is a shareholder or creditor if the Indemnitee serves such organization at our request.

We maintain insurance policies relating to certain liabilities that our directors and officers may incur in such capacity.

We have entered into indemnity agreements with our directors and certain officers which provide, among other things, that we will indemnify each such individual to the fullest extent permitted by law and as permitted by the CBCA from and against all liabilities, costs, charges and expenses that he or she may incur as a result of his or her actions in the exercise of his or her duties as director or officer, provided that we shall not indemnify such individual if, among other things, he or she did not act honestly and in good faith with a view to our best interests and, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that his or her conduct was lawful.

Item 7. Recent Sales of Unregistered Securities

In the three years preceding the filing of this registration statement, we have issued the following securities that were not registered under the Securities Act.

On April 3, 2012, in connection with a new round of financing of approximately \$18.5 million (the "Series A Preferred Share Offering"), we created a new class of Series A Preferred Shares and issued 3,445,065 Series A Preferred Shares from treasury at a price per share of \$5.37, allocated as follows: (i) 1,862,197 Series A Preferred Shares were issued to investment funds affiliated with Highland Consumer Fund, or Highland, for a total amount of approximately \$10.0 million, (ii) 186,220 Series A Preferred Shares were issued to Hold It All Inc. (f/k/a Whil Concepts Inc.) for a total amount of approximately \$1.0 million, and (iii) 1,396,648 Series A Preferred Shares were issued to Rainy Day for a total amount of approximately \$7.5 million, in the form of a reduction of the outstanding principal amount of the Shareholder Loan. Concurrently with the completion of the Series A Preferred Share Offering, (i) 6,000,000 Class A common shares previously issued to Rainy Day were re-designated as 6,000,000 common shares, and these were subsequently exchanged by Rainy Day for 6,000,000 Junior Preferred Shares, (ii) 2,000,000 Class A common shares previously issued to David Segal were re-designated as 2,000,000 common shares, and these were subsequently exchanged by David Segal for 2,000,000 Series A Preferred Shares. Out of the

2,000,000 Series A Preferred Shares then held by David Segal, 558,659 were transferred by David Segal to Highland for a total amount of approximately \$3.0 million, and the remaining 1,441,341 Series A Preferred Shares were exchanged for 1,441,341 Junior Preferred Shares. All of these shares were issued without registration in reliance on the exemptions afforded by Section 4(2) of the Securities Act of 1933, as amended. No underwriters were used in connection with the transactions.

On January 24, 2014, 32,514 common shares were issued to Javier San Juan pursuant to an exercise of options then held by him for a total amount of \$39,992. All of these shares were issued without registration in reliance on the exemptions afforded by Section 4(2) of the Securities Act of 1933, as amended, and Rule 701 promulgated thereunder. No underwriters were used in connection with the transactions.

On February 24, 2014, we created a new class of preferred shares, the Series A-1 Preferred Shares, and issued 454,049 Series A-1 Preferred Shares at a price per share of \$9.05 for an aggregate consideration of approximately \$4.1 million, allocated as follows: (i) 110,498 Series A-1 Preferred Shares issued to Capital GVR Inc. for a total amount of approximately \$1.0 million, (ii) 258,836 Series A-1 Preferred Shares issued to Rainy Day for a total amount of approximately \$2.3 million, in the form of a reduction of the outstanding principal amount of the Shareholder Loan, and (iii) 84,715 Series A-1 Preferred Shares issued to Highland for a total amount of approximately \$0.8 million. All of these shares were issued without registration in reliance on the exemptions afforded by Section 4(2) of the Securities Act of 1933, as amended. No underwriters were used in connection with the transactions.

On March 21, 2014, we issued an additional 227,024 Series A-1 Preferred Shares at a price per share of \$9.05 for an aggregate consideration of approximately \$2.0 million, allocated as follows: (i) 55,249 Series A-1 Preferred Shares issued to Thomas J. Folliard, IV Marital Deduction Trust uad 8/1/2011 ("Folliard Trust") for a total amount of approximately \$0.5 million, (ii) 129,418 Series A-1 Preferred Shares issued to Rainy Day for a total amount of approximately \$1.2 million, in the form of a reduction of the outstanding principal amount of the Shareholder Loan and (iii) 42,357 Series A-1 Preferred Shares issued to Highland for a total amount of approximately \$0.4 million. All of these shares were issued without registration in reliance on the exemption afforded by Section 4(2) of the Securities Act of 1933, as amended. No underwriters were used in connection with the transactions.

On May 8, 2014, 1,250 common shares were issued pursuant to an exercise of options then held by the option holder for a total amount of \$1,538, which common shares were subsequently purchased by us for cancellation for \$6,338. All of these shares were issued without registration in reliance on the exemptions afforded by Section 4(2) of the Securities Act of 1933, as amended, and Rule 701 promulgated thereunder. No underwriters were used in connection with the transactions.

On June 2, 2014, we issued an additional 231,616 Series A-1 Preferred Shares at a price per share of \$9.05 for an aggregate consideration of approximately \$2.1 million, allocated as follows: (i) 55,249 Series A-1 Preferred Shares issued to 9222-2116 Québec Inc. for a total amount of approximately \$0.5 million, (ii) 130,780 Series A-1 Preferred Shares issued to Rainy Day for a total amount of approximately \$1.2 million, in the form of a reduction of the outstanding principal amount of the Shareholder Loan, (iii) 42,803 Series A-1 Preferred Shares issued to Highland for a total amount of approximately \$0.4 million, (iv) 1,856 Series A-1 Preferred Shares issued to Capital GVR Inc. for a total amount of \$16,797, and (v) 928 Series A-1 Preferred Shares issued to Folliard Trust for a total amount of \$8,398. All of these shares were issued without registration in reliance on the exemption afforded by Section 4(2) of the Securities Act of 1933, as amended. No underwriters were used in connection with the transactions.

On September 30, 2014, we issued 50,000 Class AA common shares at a price per share of \$6.89 to Mogey Inc. in consideration for services rendered to us by Mogey Inc. All of these shares were issued without registration in reliance on the exemption afforded by Section 4(2) of the Securities Act of 1933, as amended. No underwriters were used in connection with the transactions.

On December 15, 2014, we created a new class of preferred shares, the Series A-2 Preferred Shares, and issued 152,880 Series A-2 Preferred Shares at a price per share of \$12.31 for an aggregate consideration of approximately \$1.9 million, allocated as follows (i) 20,309 Series A-2 Preferred Shares issued to David McCreight for a total amount of approximately \$0.3 million, (ii) 20,309 Series A-2 Preferred Shares issued to Guy Savard for a total amount of approximately \$0.3 million, (iii) 84,580 Series A-2 Preferred Shares issued to Rainy Day for a total amount of approximately \$1.0 million, in the form of a reduction of the outstanding principal amount of the Shareholder Loan, and in satisfaction of its right of first refusal pursuant to the terms of our Investors' Rights Agreement and (iv) 27,682 Series A-2 Preferred Shares issued to Highland for a total amount of approximately \$0.3 million in satisfaction of its right of first refusal pursuant to the terms of our Investors' Rights Agreement. All of these shares were issued without registration in reliance on the exemptions afforded by Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder. No underwriters were used in connection with the transactions.

Under the Equity Incentive Plan, as amended from time to time, we have granted options to purchase our common shares to certain of our current and former executive officers, directors and employees from the period of April 9, 2012 to the date of this registration statement. For these options grants, we relied on the exemption from registration provided by Rule 701 under the Securities Act of 1933, as amended. The table below sets forth the details of these options grants:

Date of Grant	Number of Options	Exercise Price
April 9, 2012	910,402	\$ 1.23
June 22, 2012	50,000	\$ 1.23
February 22, 2013	220,000	\$ 1.23
March 18, 2013	10,000	\$ 1.23
June 10, 2013	10,000	\$ 1.23
August 12, 2013	25,000	\$ 5.33
August 15, 2013(1)	10,000	\$ 1.23
September 30, 2013	5,000	\$ 5.33
November 10, 2013	5,000	\$ 5.33
February 24, 2014	134,273	\$ 5.33
March 3, 2014	60,794	\$ 5.33
June 2, 2014	364,760	\$ 6.80
July 18, 2014	55,000	\$ 6.80
July 25, 2014	25,000	\$ 6.80
October 24, 2014	62,500	\$ 6.80
December 15, 2014	62,202	\$ 6.89

(1) The option grant was cancelled in connection with optionholder's termination of employment with the Company.

Item 8. Exhibits and financial statement schedules**(a) Exhibits**

<u>Exhibit Number</u>	<u>Exhibit Title</u>
1.1*	Form of Underwriting Agreement
3.1*	Form of Amended and Restated Certificate of Incorporation of DAVIDsTEA Inc.
3.2*	Form of Amended and Restated Bylaws of DAVIDsTEA Inc.
4.1*	Form of Common Share Certificate
5.1*	Opinion of Osler, Hoskin & Harcourt LLP
10.1	Credit Facility Letter from HSBC Bank Canada to DAVIDsTEA Inc. and DavidsTea (USA) Inc., dated August 19, 2013, as amended
10.2	Loan Agreement by and between Rainy Day Investments Ltd. and DAVIDsTEA Inc. dated April 3, 2012
10.3	Amended and Restated Equity Incentive Plan, as amended
10.4*	Equity Participation Agreement between DAVIDsTEA Inc. and Sylvain Toutant, dated June 2, 2014
10.5	Equity Participation Agreement between DAVIDsTEA Inc. and Luis Borgen, dated February 22, 2013
10.6	Equity Participation Agreement between DAVIDsTEA Inc. and Howard Tafler, dated February 22, 2013
10.7	Equity Participation Agreement between DAVIDsTEA Inc. and Marc Macdonald, dated July 25, 2014
10.8	Equity Participation Agreement between DAVIDsTEA Inc. and Trey Noonan, dated October 9, 2014
10.9*	Equity Participation Agreement between DAVIDsTEA Inc. and Pierre Michaud, dated February 24, 2014
10.10*	Equity Participation Agreement between DAVIDsTEA Inc. and Emilia Di Raddo, dated March 3, 2014
10.11*	Equity Participation Agreement between DAVIDsTEA Inc. and Tom Folliard, dated March 3, 2014
10.12*	Equity Participation Agreement between DAVIDsTEA Inc. and David McCreight, dated December 15, 2014
10.13*	Equity Participation Agreement between DAVIDsTEA Inc. and Guy Savard, dated December 15, 2014
10.14*	Form of 2015 Omnibus Long-Term Incentive Plan
10.15*	Form of Director Stock Option Award under 2015 Omnibus Long-Term Incentive Plan
10.16*	Form of Employee Stock Option Award Under 2015 Omnibus Long-Term Incentive Plan
10.17*	Form of Indemnification Agreement for Directors and Officers

<u>Exhibit Number</u>	<u>Exhibit Title</u>
10.18*	Employment Agreement between DAVIDsTEA Inc. and Sylvain Toutant, dated
10.19*	Employment Agreement between DavidsTea (USA) Inc. and Luis Borgen, dated
10.20*	Employment Agreement between DAVIDsTEA Inc. and David Segal, dated
10.21	Share Subscription Agreement among Capital GVR Inc., Pierre Michaud and DAVIDsTEA Inc., dated February 24, 2014
10.22	Share Subscription Agreement between Rainy Day Investments Ltd. and DAVIDsTEA Inc., dated February 24, 2014
10.23	Share Subscription Agreement among Highland Consumer Fund I Limited Partnership, Highland Consumer Fund I-B Limited Partnership, Highland Consumer Entrepreneurs Fund I Limited Partnership and DAVIDsTEA Inc., dated February 24, 2014
10.24	Share Subscription Agreement between Thomas J. Folliard IV Marital Deduction Trust uad 8/1/2011 and DAVIDsTEA Inc., dated March 21, 2014
10.25	Share Subscription Agreement between Rainy Day Investments Ltd. and DAVIDsTEA Inc., dated March 21, 2014
10.26	Share Subscription Agreement among Highland Consumer Fund I Limited Partnership, Highland Consumer Fund I-B Limited Partnership, Highland Consumer Entrepreneurs Fund I Limited Partnership and DAVIDsTEA Inc., dated March 21, 2014
10.27	Share Subscription Agreement between Capital GVR Inc. and DAVIDsTEA Inc., dated June 2, 2014
10.28	Share Subscription Agreement between Rainy Day Investments Ltd. and DAVIDsTEA Inc., dated June 2, 2014
10.29	Share Subscription Agreement between 9222-2116 Québec Inc. and DAVIDsTEA Inc., dated June 2, 2014
10.30	Share Subscription Agreement among Highland Consumer Fund I Limited Partnership, Highland Consumer Fund I-B Limited Partnership, Highland Consumer Entrepreneurs Fund I Limited Partnership and DAVIDsTEA Inc., dated June 2, 2014
10.31	Share Subscription Agreement between Thomas J. Folliard IV Marital Deduction Trust uad 8/1/2011 and DAVIDsTEA Inc., dated June 2, 2014
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21.1	Subsidiaries of DAVIDsTEA Inc.
23.1*	Consent of Ernst & Young LLP
23.2*	Consent of Osler, Hoskin & Harcourt LLP (included in Exhibit 5.1)
24.1*	Powers of Attorney (included on signature page)

* To be filed by amendment.

(b) Financial statement schedules

All schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 9. Undertakings

The undersigned Registrant hereby undertakes:

(1) That for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) That for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(4) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Montréal, Canada on .

DAVIDsTEA INC.

By: _____
Name:
Title:

POWER OF ATTORNEY

The undersigned directors and officers of DAVIDsTEA Inc. hereby appoint each of Sylvain Toutant, Luis Borgen and Howard Tafler, as attorney-in-fact for the undersigned, with full power of substitution and resubstitution, for and in the name, place and stead of the undersigned, to sign and file with the Securities and Exchange Commission under the Securities Act of 1933 any and all amendments (including post-effective amendments) and exhibits to this registration statement on Form F-1 (or any other registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933) and any and all applications and other documents to be filed with the Securities and Exchange Commission pertaining to the registration of the securities covered hereby, with full power and authority to do and perform any and all acts and things whatsoever requisite and necessary or desirable, hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
_____ Sylvain Toutant	President, Chief Executive Officer and Director (Principal Executive Officer)	
_____ Luis Borgen	Chief Financial Officer (Principal Financial Officer)	
_____ Howard Tafler	Chief Accounting Officer (Principal Accounting Officer)	
_____ Pierre Michaud	Chairman	

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<hr/> Emilia Di Raddo	Director	
<hr/> Tom Folliard	Director	
<hr/> David W. McCreight	Director	
<hr/> Lorenzo Salvaggio	Director	
<hr/> Guy Savard	Director	
<hr/> Herschel Segal	Director	
<hr/> Sarah Segal	Director	
<hr/> Thomas Stenberg	Director	
<hr/> Luis Borgen	Authorized Representative in the United States	

<u>Exhibit Number</u>	<u>Exhibit Title</u>
1.1*	Form of Underwriting Agreement
3.1*	Form of Amended and Restated Certificate of Incorporation of DAVIDsTEA Inc.
3.2*	Form of Amended and Restated Bylaws of DAVIDsTEA Inc.
4.1*	Form of Common Share Certificate
5.1*	Opinion of Osler, Hoskin & Harcourt LLP
10.1	Credit Facility Letter from HSBC Bank Canada to DAVIDsTEA Inc. and DavidsTea (USA) Inc., dated August 19, 2013, as amended
10.2	Loan Agreement by and between Rainy Day Investments Ltd. and DAVIDsTEA Inc. dated April 3, 2012
10.3	Amended and Restated Equity Incentive Plan, as amended
10.4*	Equity Participation Agreement between DAVIDsTEA Inc. and Sylvain Toutant, dated June 2, 2014
10.5	Equity Participation Agreement between DAVIDsTEA Inc. and Luis Borgen, dated February 22, 2013
10.6	Equity Participation Agreement between DAVIDsTEA Inc. and Howard Tafler, dated February 22, 2013
10.7	Equity Participation Agreement between DAVIDsTEA Inc. and Marc Macdonald, dated July 25, 2014
10.8	Equity Participation Agreement between DAVIDsTEA Inc. and Trey Noonan, dated October 9, 2014
10.9*	Equity Participation Agreement between DAVIDsTEA Inc. and Pierre Michaud, dated February 24, 2014
10.10*	Equity Participation Agreement between DAVIDsTEA Inc. and Emilia Di Raddo, dated March 3, 2014
10.11*	Equity Participation Agreement between DAVIDsTEA Inc. and Tom Folliard, dated March 3, 2014
10.12*	Equity Participation Agreement between DAVIDsTEA Inc. and David McCreight, dated December 15, 2014
10.13*	Equity Participation Agreement between DAVIDsTEA Inc. and Guy Savard, dated December 15, 2014
10.14*	Form of 2015 Omnibus Long-Term Incentive Plan
10.15*	Form of Director Stock Option Award under 2015 Omnibus Long-Term Incentive Plan
10.16*	Form of Employee Stock Option Award Under 2015 Omnibus Long-Term Incentive Plan
10.17*	Form of Indemnification Agreement for Directors and Officers
10.18*	Employment Agreement between DAVIDsTEA Inc. and Sylvain Toutant, dated
10.19*	Employment Agreement between DavidsTea (USA) Inc. and Luis Borgen, dated
10.20*	Employment Agreement between DAVIDsTEA Inc. and David Segal, dated
10.21	Share Subscription Agreement among Capital GVR Inc., Pierre Michaud and DAVIDsTEA Inc., dated February 24, 2014

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24.1*	Powers of Attorney (included on signature page)

* To be filed by amendment.

HSBC

August 19, 2013

DAVIDsTEA Inc.
5625 rue Paré
Montreal, QC
H4P 1S1

Attention: Mr. Luis Borgen, Chief Financial Officer
Mr. Howard Tafler, Vice-President, Finance & Administration

Dear Sirs:

HSBC Bank Canada (the “Bank”) is pleased to offer the following new credit facilities (the “Loans”) on the terms and conditions set out below. The terms and conditions contained in the Schedule are incorporated by reference into and form an integral part of this Facility Letter.

Borrower

DAVIDsTEA Inc. (the “Borrower”)

Guarantor

DAVIDsTEA (USA) Inc. (the “Guarantor”)

1. Operating Loan

1.1 Amount:

Demand revolving loan in the amount of CAD 5,000,000 and/or USD equivalent, increasing to CAD 10,000,000 from September 1st, to December 31st of each calendar year (the “Operating Loan”).

1.2 Purpose:

To assist in financing the day-to-day operating requirements of the Borrower.

1.3 Availability:

Available by way of account overdraft following satisfaction of the Conditions Precedent. All of the Operating Loan shall be available by way of Canadian dollar advances, U.S. dollar advances, banker’s acceptances and LIBOR loans and CAD 500,000 of the Operating Loan shall be

HSBC Bank Canada

2001 McGill College Avenue, Suite 300, Montreal, QC H3A 1G1
Tel: (514) 288-8858 Fax: (514) 285-8638

available by way of letters of credit or letters of guarantees issued on behalf of the Borrower. The Borrower shall ensure that the amount advanced and outstanding under the Operating Loan shall at no time exceed the Margin Requirement as calculated by the Bank and described below.

1.4 Repayment:

All amounts outstanding under the Operating Loan shall be repaid on demand by the Bank and, unless and until otherwise demanded, interest shall be paid at the rates set out below.

1.5 Interest:

At the Borrower’s option, exercisable by the delivery of the Required Notice, at:

- (a) the Bank’s Prime Rate plus 0.75% per annum;
- (b) the Bank’s U.S. Base Rate plus 0.75% per annum;
- (c) LIBOR plus 2.00% per annum, subject to availability.

1.6 Fees:

The Borrower shall pay to the Bank:

- (a) on the last day of each month, an administration fee of CAD 250;
- (b) at the time of acceptance of each banker’s acceptance under the Operating Loan, a stamping fee of 2.00% per annum, based on the face amount of such banker’s acceptance and calculated over its term;

(c) at the time of issuance of each letter of credit under the Operating Loan, a fee equal to 2.00 % per annum, calculated against the face amount and over the term of the letter of credit (minimum \$250).

2. Capital Loan

2.1 Amount:

CAD 9,000,000 demand non-revolving loan (the “Capital Loan”).

2.2 Purpose:

To re-finance the outstanding senior term debt with Royal Bank of Canada.

2.3 Availability:

Available by way of a single advance following satisfaction of the Conditions Precedent in Canadian dollars. All of the Capital Loan shall also be available by way of banker’s acceptances, US. Dollar advances, and LIBOR loans.

2

2.4 Repayment:

All amounts outstanding under the Capital Loan shall be repaid on demand by the Bank and, unless and until otherwise demanded, interest shall be paid at the rate set out below and in the manner provided in the attached Schedule, together with principal repayments based on a 36 month amortization for each advances, on the last day of each month following the month in which the advance of the Capital Loan is made. The Capital Loan shall, in any event, be repaid in full, 36-months from the initial advance thereof.

2.5 Interest:

At the Borrower’s option, exercisable by the delivery of the Required Notice, at:

- (a) the Bank’s Prime Rate plus 1.00% per annum;
- (b) the Bank’s U.S. Base Rate plus 1.00% per annum;
- (c) LIBOR plus 2.50% per annum, subject to availability.

2.6 Fees:

The Borrower shall pay to the Bank at the time of acceptance of each banker’s acceptance under the Capital Loan, a stamping fee of 2.50% per annum, based on the face amount of such banker’s acceptance and calculated over its term;

3. Leasing Facility

3.1 Amount:

CAD 15,000,000 demand revolving leasing facility (the “Leasing Facility”).

3.2 Purpose:

To assist the Borrower, through HSBC Leasing, in financing up to 100% of leasehold improvements before tax.

3.3 Availability:

Available in accordance with HSBC Leasing’s Master Lease Agreement and multiple leases, following satisfaction of the Conditions Precedent.

3.4 Repayment:

All amounts outstanding under the Leasing Facility shall be paid according to the terms and conditions negotiated with HSBC Leasing with lease payments for all property based on a maximum amortization schedule of 36 months.

3

3.5 Interest:

Lease payments shall be calculated by the Bank using the following interest rates, at the Borrower’s option, exercisable by the delivery of the Required Notice:

- (a) the Bank’s Fixed Cost of Funds plus 2.65% per annum;
- (b) LIBOR plus 2.00% per annum, subject to availability.

The Borrower and the Guarantor shall ensure that the aggregate combined indebtedness outstanding under the Capital Loan and the Leasing Facility shall at no time exceed CAD 15,000,000.

4. **Foreign Exchange Loan**

4.1 **Amount:**

CAD 3,000,000 demand revolving line (the “Foreign Exchange Loan”).

4.2 **Purpose:**

To purchase forward foreign exchange contracts for major currencies identified by the Bank up to an aggregate of CAD 11,111,111, with a maximum maturity of 12 months, in order to hedge against currency fluctuations in connection with the import purchases and export sales by the Borrower.

4.3 **Availability:**

Available following satisfaction of the Conditions Precedent. The Borrower shall ensure that the Foreign Exchange Percentage of the aggregate face amount of outstanding forward foreign exchange contracts at no time exceeds the amount of the Foreign Exchange Loan set out at section 4.1 hereof. For the purpose of this Facility Letter, “Foreign Exchange Percentage” means the notional risk percentage established and recorded by the Bank from time to time based on the Bank’s assessment of the foreign exchange market, and which is 27% as at the date of this Facility Letter.

4.4 **Repayment:**

All liabilities of the Bank under forward foreign exchange contracts shall be satisfied by the Borrower on demand by the Bank and, unless and until otherwise demanded, the contracts shall be fulfilled by the Borrower as they fall due.

5. **Swap Facility**

5.1 **Amount:**

Interest rates swap facility in the amount of \$1,000,000 (the “Swap Facility”).

4

5.2 **Purpose:**

To allow up to a 36 month interest rate swap contract to fix the rate of interest payable under the Capital Loan or selected by the Borrower for calculation of lease payments under the Leasing Facility.

5.3 **Availability:**

Available following satisfaction of the Conditions Precedent. The Swap Facility shall be available upon the written request of the Borrower, at which time the Bank will use its reasonable efforts to arrange a fixed interest rate swap for all or a portion of the amount outstanding under the Capital Loan accruing interest based on the Bank’s Prime Rate, at such fixed rate as may be mutually agreed to by the Bank and the Borrower, subject to the following limitations and conditions:

- (a) any interest rate swap will be subject to availability;
- (b) notional utilization of the Swap Facility shall be for an amount calculated by taking a percentage (the “Swap Risk Percentage”) of the principal amount of the swap multiplied by the number of years for which the swap is implemented. For the purpose of this paragraph, the Swap Risk Percentage shall be the percentage determined by the Bank from time to time in this regard, and which is currently 2.00%. Should the Swap Risk Percentage increase before the interest rate swap is effected, the swap may no longer be available for the full amount of the Capital Loan or Leasing Facility;
- (c) the maturity of any swap shall not extend beyond the term of the Capital Loan or Leasing Facility;
- (d) all interest payments due under any interest rate swap contract shall be made on a “net payments” basis;
- (e) the Swap Facility shall cease to be available upon demand by the Bank for repayment of the Capital Loan or Leasing Facility;
- (f) prior to the effective date of any interest rate swap the Borrower must have executed and delivered to the Bank an interest rate swap agreement in the Bank’s standard form of the International Swap Dealers Association which shall, among other things, provide for the payment of a compensating amount in the event of the prepayment of all or a portion of the principal amount of the swap;
- (g) the Bank shall have received all other documents, consents, acknowledgements, opinions, agreements and other assurances relating to such interest rate swap as the Bank or its counsel may require; and
- (h) the notional amount utilized under any interest rate swap contract shall be deemed to constitute amounts owing by the Borrower under the Facility Letter and the due payment of all such amounts shall be secured by the Security Documents.

5

6. **MasterCard Loan**

6.1 **Amount:**

CAD 500,000 MasterCard demand revolving expense account (The “Mastercard Loan”)

6.2 **Purpose:**

The MasterCard Loan shall be used to assist the designated cardholders to pay their sundry business expenses.

6.3 **Repayment & Interest:**

As per MasterCard terms and conditions, as periodically published.

7. **Fees**

The Borrower shall pay to the Bank:

- (a) a one-time set-up fee equivalent to 0.25% of the Loans excluding the Foreign Exchange Loan, Swap Facility, and Mastercard Loan (CAD 62,500). The set-up fee has already been paid by the Borrower.
- (b) an annual review fee equivalent to 0.125% of the Loans excluding the Foreign Exchange Loan, Swap Facility, and Mastercard Loan (CAD 31,250).

8. **Margin Requirement**

In addition to ensuring that no Loan exceeds its loan amount, as set out in this Facility Letter, the Borrower shall ensure that the aggregate Canadian Dollar Equivalent of:

- (a) the amount advanced and outstanding under the Operating Loan; plus
- (b) 100% of Letters of Guarantees issued on behalf of the Borrower;

shall at no time exceed the Margin Requirement, being the aggregate of:

- (a) 50% of Acceptable Inventory; plus
- (b) 100% of cash balances held by the Borrower and the Guarantor in accounts maintained at the Bank or its affiliate, HSBC Bank USA, National Association ("HBUS") provided HBUS has executed a control agreement satisfactory to the Bank; less
- (c) Priority Claims.

The Borrower agrees that the Margin Requirement shall be calculated monthly by the Bank using the monthly inventory declaration of the Borrower.

9. **Security**

9.1 **Security Documents:**

The liability, indebtedness and obligations of the Borrower under the Loans and the Facility Letter shall be evidenced, governed and secured, as the case may be, by the following documents (the "Security Documents") completed in form and manner satisfactory to the Bank and its solicitors.

- (a) line of credit by way of current account overdraft agreement in Canadian and U.S. Dollars executed by the Borrower (the Operating Loan);
- (b) first rank Moveable Hypothec over the universality of the Borrower's assets, present and future, corporeal and incorporeal including but not limited to accounts receivable, inventory, intellectual property, trademarks of the Borrower in an amount of CAD 40,000,000;
- (c) first ranking security from the Borrower in favour of the Bank under Section 427 of the *Bank Act* (covering all inventories of tea and accessories of all kinds, in transit and elsewhere), and all ancillary forms of the Bank in this regard;
- (d) security agreement over cash, credit balances and deposit instruments in the amount of CAD 40,000,000 executed by the Borrower and a control agreement with respect to Guarantor cash balances with HBUS;
- (e) general security agreements creating a first priority charge on all of the Borrower's assets, present and future, corporeal and incorporeal, registered in each Canadian province in which the Borrower carries on business;
- (f) LIBOR agreement executed by the Borrower;
- (g) the Bank's standard application and indemnity agreement with respect to the issuance of letters of credit, executed by the Borrower;
- (h) Banker's Acceptances agreement, executed by the Borrower;
- (i) agreement for foreign exchange contracts executed by the Borrower (Foreign Exchange Loan);
- (j) ISDA Agreement, executed by the Borrower with respect to the Swap Facility;
- (k) Master Lease Agreement executed by the Borrower;
- (l) consent and waiver in favour of the Bank from the landlord of the property located at 5690 rue Paré, Montreal, Quebec, of the leasehold premises of the Borrower;
- (m) consent and waiver in favour of the Bank from the landlord of each of the leasehold premises of the Borrower and the Guarantor (on a reasonable commercial effort to obtain);

- (n) unlimited postponement by Highland Consumer Fund I LP, Highland Consumer Fund I-B LP, Highland Consumer Entrepreneurs Fund I LP, Rainy Day Investments Ltd., and 0936441 BC Ltd., of all distributions on or redemptions or purchases of all Series A preferred shares of the Borrower;
- (o) unlimited postponement by Rainy Day Investments Ltd. of all present and future amounts outstanding to them by the Borrower. Interest payments at an annual interest rate of 4.5% (the "Permitted RD Interest Payment") will be permitted under the postponement agreement with Rainy Day Investments Ltd. until such time as the Borrower is in breach of any of the terms and conditions hereof;
- (p) postponement by Investissement Quebec of all present and future amounts outstanding to them by the Borrower. Scheduled capital and interest repayments will be permitted under the postponement agreement with Investissement Quebec until such time as the Borrower is in breach of any of the terms and conditions hereof;
- (q) unlimited corporate guarantee of the indebtedness of the Borrower to the Bank, executed by the Guarantor;
- (r) general security agreement over all of the Guarantor's movable / personal property and assets, including debts, accounts, inventory and leasehold improvements of the Guarantor, together with UCC filings therefor;
- (s) assignment/endorsements by the Borrower and the Guarantor to the Bank of all risk insurance (including extended coverage endorsement) in amounts and from an insurer acceptable to the Bank, on all of the Borrower's and the Guarantor's real and personal property including, without limitation, lands, buildings, equipment and inventory owned by the Borrower and the Guarantor, showing the Bank as first loss payee by way of standard mortgage endorsement, such policy to include business interruption lost profit and public liability insurance;
- (t) assignment to the Bank of all risk marine cargo insurance held by the Borrower and the Guarantor;
- (u) all supporting certificates and opinions as the Bank may reasonably require;
- (v) such other documents as the Bank may reasonably request in order to register or otherwise perfect the documents listed above.

9.2 Registration:

The Security Documents will be registered in all jurisdictions and at all registries or public offices as the Bank may determine necessary or beneficial to perfect, publish or protect its interest under the Security Documents. The Security Documents shall rank in priority to all other mortgages, hypothecs, charges, liens, encumbrances and security interests unless otherwise specifically agreed to in writing by the Bank.

10. Conditions Precedent

The conditions precedent to the Bank's obligation to the advance of the Loans and to the continued availability thereof are set out below and in Section IV of the attached Schedule to this Facility Letter (collectively the "Conditions Precedent"). The Borrower shall deliver or cause to be delivered the following in form and content satisfactory to the Bank:

- (a) Audited consolidated financial statements of the Borrower for its last fiscal year-end and most recent internally prepared statements;
- (b) Copy of the letter of intent from Investissement Quebec, accepted by the Borrower; the Bank will advance the Loans with the exception of the Leasing Facility upon i) receipt of such letter; ii) completion of all other conditions precedent; and iii) an agreement by the Royal Bank of Canada to release all of its existing security on the Borrower's property upon repayment of its credit facilities;
- (c) The Bank will advance a maximum amount of CAD 3,700,000 under the Leasing Facility upon receipt of the final approval letter from Investissement Quebec, accepted by the Borrower, subject to completion of the aforesaid conditions;
- (d) The remaining balance of the Leasing Facility will be available to the Borrower upon receipt of audited consolidated financial statements of the Borrower for its fiscal year ended January 31, 2014, provided same are satisfactory to the Bank;
- (e) Completion and registration of security and receipt of satisfactory legal opinions of Borrower's and Bank's counsel.

11. Borrower Covenants and Conditions

The Borrower covenants and agrees with the Bank that, so long as any portion of the Loans or any indebtedness or liabilities of the Borrower remain outstanding under the Facility Letter, it shall not, without the prior written consent of the Bank:

- (a) permit the Fixed Charge Coverage Ratio to be less than of 1.10:1.00;
- (b) permit its ratio of current assets to current liabilities to be less than 1.10:1.00 [including Off-Balance Sheet Arrangements];
- (c) permit its debt to tangible net worth ratio to be less than 2.50:1.00, Off-Balance Sheet Arrangements to be added to debt, intangible assets to be deducted from tangible net worth, and postponed shareholder loans and preferred shares to be added to tangible net worth and deducted from debt;
- (d) pay dividends or make distributions on any class or kind of shares or purchase or redeem shares, or repay any shareholders' or related party advances, other than the Permitted RD Interest Payment;

The Borrower agrees that the foregoing financial tests shall be calculated quarterly by the Bank using internally prepared consolidated financial statements of the Borrower or with such other statements as the Bank may agree to use from time to time.

The Borrower agrees that any default under the terms and conditions of the term loan with Investissement Quebec will constitute a default under the terms and conditions of the Facility Letter.

Notwithstanding anything herein contained to the contrary, the Borrower may, provided that it is not in default hereunder, make payments to its employees holding existing options to purchase its equity securities in a maximum aggregate amount of CAD 439,000.

12. Financial Statements and Reports

The Borrowers shall deliver to the Bank the following:

Monthly, within 25 days of each month end, an inventory declaration for the Borrower;

Quarterly, within 45 days of each quarter end:

- (a) in-house consolidated financial statements for the Borrower;
- (b) in-house non-consolidated financial statements for the Borrower and the Guarantor;
- (c) a certificate signed by the Chief Financial Officer of the Borrower in a form acceptable to the Bank, together with detailed calculations of any financial covenants which the Borrower is required to maintain under or pursuant to this Facility Letter and such other information as the Bank may reasonably require from time to time;

Annually, within 120 days of the Borrower's fiscal year end:

- (a) audited consolidated financial statements for the Borrower;
- (b) notice to reader individual financial statements of the Borrower and the Guarantor;
- (c) a certificate signed by the Chief Financial Officer of the Borrower in a form acceptable to the Bank, together with detailed calculations of any financial covenants which the Borrower is required to maintain and such other information as the Bank may reasonably require from time to time;
- (d) in form and terms acceptable to the Bank, pro forma financial statements, cash flow statements and budgets for the following fiscal year of the Borrower (on a consolidated basis), each including an income statement and a balance sheet, for each fiscal quarter and showing pro-forma covenant calculations;
- (e) Such additional financial statements and information as and when requested by the Bank.

13. Lapse, Periodic Review and Cancellation

Without limiting the Bank's right to demand repayment of the Loans at any time, the Facility Letter shall, at the option of the Bank, lapse and the obligations of the Bank shall end if there has, in the opinion of the Bank, been a material adverse change in the financial condition of the Borrower, or if the Conditions Precedent have not been met and initial advance of the Loans has not been made, within three months of the date of the Facility Letter. Without limiting the Bank's right to demand repayment of the Loans at any time, the Loans shall be subject to periodic review by the Bank as and when determined by the Bank in its discretion. Any unadvanced portion of the Loans shall be cancelled upon demand being made by the Bank for repayment of the amount outstanding under the Loans.

14. Legal and Other Expenses

The Borrower shall pay all reasonable legal fees and disbursements (on a solicitor and own client basis) in respect of the Loans, the preparation, issue and registration of the Security Documents, the enforcement and preservation of the Bank's rights and remedies under this Facility Letter and the Security Documents, and all reasonable fees and costs relating to appraisals, insurance consultation, credit reporting and responding to demands of any government or any agency or department thereof, whether or not the documentation is completed or any funds are advanced under the Loans.

15. Language

The parties hereto have requested that the Facility Letter and all agreements, deeds, documents, notices, demands or proceedings arising therefrom be written in the English language. *Les parties aux présentes ont exigé que cette lettre de confirmation de crédit et tous les ententes, actes, documents, avis et procédures s'y rapportant soient rédigés en anglais.*

16. Acceptance

The terms and conditions of this Facility Letter may be accepted by dating and returning the enclosed duplicate copy of this Facility Letter, signed by the Borrower and the Guarantor, to the Bank by 5:00 p.m. on September 27, 2013. Failing such acceptance, this offer shall be of no further force or effect.

Yours truly,

HSBC BANK CANADA

Yours truly,

The undersigned hereby acknowledge and agree to the terms and conditions of this Facility Letter this 29th day of August, 2013.

THE BORROWER

DAVIDsTEA INC.

Per: _____ /s/ Howard Tafler

Per: _____ /s/ Herschel Segal

THE GUARANTOR

DAVIDsTEA (USA) Inc.

Per: _____ /s/ Howard Tafler

Per: _____ /s/ Herschel Segal

**SCHEDULE TO FACILITY LETTER
FROM HSBC BANK CANADA
TO DAVIDsTEA INC.
DATED AUGUST 19, 2013**

This Schedule shall form part of the Facility Letter and the Loans as described in the Facility Letter shall also be subject to the following terms and conditions:

I. Definitions

For the purpose of the Facility Letter, the following terms shall have the meanings indicated below:

“Acceptable Inventory” means the value, determined by the Bank from its review of the most recent financial statements and inventory declaration provided by the Borrower, based on the lower of cost and fair market value of all product owned by the Borrower or the Guarantor in Canada and the United States, goods in transit, packaging and goods, for resale or for production of goods for resale, excluding supplies, and over which the Bank holds a first hypothec, mortgage, first ranking transfer or first security interest, subject only to Priority Claims.

“Bank’s Fixed Cost of Funds” means the aggregate cost, as determined by the Bank and accepted by the Borrower, of the requested funds on an annual fixed rate basis for a period of 30, 60, 90 or 180 days or one, two or three years, as selected by the Borrower (but maturing not later than the final date for payment of the Leasing Facility, including dealer commissions and such reserves as are applicable).

“Bank’s Prime Rate” means the variable annual rate of interest established and adjusted by the Bank from time to time as a reference rate for purposes of determining rates of interest it will charge on loans denominated in Canadian dollars and which was 3.00% on August 19, 2013.

“Bank’s U.S. Base Rate” means the variable annual rate of interest established and adjusted by the Bank from time to time as a reference rate for purposes of determining rates of interest it will charge on loans denominated in United States dollars in Canada based on a year of 360 days, and which was 3.75% on August 19, 2013.

“Business Day” means a day upon which the Bank is open for business in the branch first above written.

“Canadian Dollar Equivalent” means at any time on any date in relation to any amount in a currency other than Canadian dollars, the amount of Canadian dollars required for the Borrower to purchase that amount of such other currency at the rate of exchange quoted by the Bank at or about 8:00 a.m. Pacific time on such date, including all premiums and costs of exchange.

“Compensating Amount” means an amount determined by the Bank to be the net cost, if any, incurred by the Bank as a direct result of the repayment of all or a portion of a Loan accruing interest based on LIBOR, on a date other than the expiration of the selected interest period or LIBOR Period, respectively, including, without limitation, the loss or expense sustained or incurred by the Bank relating to such payment based on the rate at which the Bank can lend the

amount prepaid into the wholesale market for balance of the said interest period or LIBOR Period. A certificate of a manager or account manager of the Bank shall, absent manifest error, be conclusive evidence of the Compensating Amount from time to time.

“EBITDA” means, on a consolidated basis for the Borrower and its subsidiaries, the net earnings thereof for the rolling four-quarter period ending on the date that EBITDA is determined

- (a) increased by, to the extent deducted in computing such net earnings (without duplication) for such period, net interest expense, income tax expense (including deferred taxes) and depreciation and amortization expense and extraordinary, unusual or non-recurring losses, other non-cash items all in accordance with GAAP; and
- (b) decreased by, to the extent added in computing such net earnings for such period, extraordinary, unusual or non-recurring gains, all in accordance with GAAP.

“Facility Letter” means the letter from the Bank to the Borrower to which this Schedule is attached, together with this Schedule, and includes all amendments and replacements thereof.

“Fixed Charge Coverage Ratio” means for the Borrower and its subsidiaries on a consolidated basis calculated on a completed rolling four fiscal quarter basis ending on the date of calculation thereof, the ratio of (a) to (b):

- (a) EBITDA less cash taxes and unfunded capital expenditures;
- (b) Interest Expense plus operating lease payments (other than payments of rent for immoveable properties) and principal payments on long-term debt, including capital leases, during the previous twelve (12) month period.

“Foreign Exchange Percentage” shall have the meaning set out in under paragraph 5.3 of this Facility Letter.

“GAAP” means generally accepted accounting principles in Canada which are in effect from time to time.

“Guarantor” means the party or parties who have or are to execute a guarantee or guarantees of the indebtedness of the Borrower under or in connection with this Facility Letter and the Security Documents.

“Governmental Authority” means any governmental, legislative, or regulatory authority, agency, commission, board or court, tribunal or other law, regulation or rule making entity having or purporting to have jurisdiction on behalf of any nation, province, or city.

“Legal Requirement” means all laws, statutes, codes, ordinances, orders, awards, judgments, decrees, injunctions, rules, regulations, authorizations, consents, approvals, orders, permits, franchises, licences, directions and requirements of any Governmental Authority.

“LIBOR” means with respect to a particular LIBOR Period, the rate of interest (rounded upwards if necessary to the nearest full multiple of one-sixteenth of one percent) at which the Bank, in

accordance with its normal practice, would be prepared to offer to leading banks on the London prime inter-bank market for delivery on the first day of the applicable LIBOR Period approved by the Bank and for a period equal to such LIBOR Period based on the number of days comprised therein, a deposit of a comparable amount of United States dollars to be outstanding during such LIBOR Period, at or about 11:00 a.m. London, England local time, two Business Days prior to the commencement of the LIBOR Period.

“LIBOR Period” means a period of one, two, three, four, five or six months or 360 days but expiring not later than the final date for payment of the subject Loan.

“Off-Balance Sheet Arrangements” means any transaction, agreement or other contractual arrangement between the Borrower and an entity that is not consolidated on the Borrower’s financial statements, under which the Borrower may have: (i) any obligation under a direct or indirect guarantee or similar arrangement; (ii) a retained or contingent interest in assets transferred to an unconsolidated entity, (iii) derivatives, to the extent that the financial statements do not fully reflect fair value thereof as a liability or asset; or (iv) any obligation or liability, including a contingent obligation or liability, to the extent that it is not fully reflected in the Borrower’s financial statements.

“Priority Claims” means any hypothec, lien, claim, charge, security interest, trust claim, right or encumbrance of any Governmental Authority or other party (whether arising under any statute, law, contract or otherwise) having priority over the Security Documents and the mortgage, charge and security interest of the Bank in any of the property and assets of the Borrower.

“Required Notice” means a notice in form and content approved by the Bank given to the branch of the Bank referred to above not later than 10:30 a.m. local time three Business Days immediately preceding the date on which:

- (a) an advance is to be made;
- (b) a rollover is to be made from one interest option to another;
- (c) a banker’s acceptance is to be issued for acceptance by the Bank;
- (d) a letter of credit is to be issued by the Bank; or
- (e) a lease is to be signed under the Leasing Facility;

as the case may be, stating the date, amount and term of the requested advance or rollover, or particulars of the banker’s acceptance or letter of credit or lease.

With respect to the foregoing, a certificate of a manager or account manager of the Bank shall be *prima facie* evidence of the Bank’s Prime Rate, the Bank’s U.S. Base Rate, the Bank’s Fixed Cost of Funds and LIBOR, from time to time.

II. Representations and Warranties

Each of the Borrower and the Guarantor solidarity represents and warrants, as at the time of drawing under or other utilization of the Loans, that:

- (a) it has been duly incorporated and organized, is properly constituted, is in good standing and is entitled to conduct its business in all jurisdictions in which it carries on business or has assets;
- (b) the execution of the Facility Letter and the Security Documents and the incurring of liability and indebtedness to the Bank does not and will not contravene:
 - (i) any Legal Requirement applicable to the Borrower and each Guarantor; or
 - (ii) any provision contained in any other loan or credit agreement or borrowing instrument or contract to which the Borrower and each Guarantor, respectively, is a party;
- (c) the Facility Letter and the Security Documents to which it is a party have been duly authorized, executed and delivered by the Borrower and each Guarantor, and constitute valid and binding obligations of the Borrower and each Guarantor, as the case may be, and are enforceable in accordance with their respective terms;
- (d) all necessary Legal Requirements have been met and all other authorizations, approvals, consents and orders have been obtained with respect to the Loans and the execution and delivery of the Security Documents.

Each of the Borrower and the Guarantor also represents and warrants to the Bank that all financial and other information provided to the Bank in connection with the Loans is true and accurate in all material respects, and acknowledges that the offer of credit contained in the Facility Letter is made in reliance on the truth and accuracy of this information and the above representations and warranties.

III. Interest, Fees Payment and Rights

- (a) Interest on the daily balance of the principal amount advanced under the Loans and remaining unpaid from time to time shall be payable by the Borrower as set out in the Facility Letter both before and after demand, maturity, default and judgment;
- (b) In the case of interest at the Bank's Prime Rate and the Bank's U.S. Base Rate, interest shall be compounded and payable on the last day of each month;
- (c) In the case of interest based on LIBOR, interest shall be payable on the expiration of the LIBOR Period selected by the Borrower or every 3 months, whichever is earlier;
- (d) If the Borrower repays any portion of the Loans accruing interest based on LIBOR on a date other than the expiration of the selected interest period or LIBOR Period, as the case may be, whether as a result of a demand for repayment by the Bank or otherwise, it shall also concurrently pay to the Bank the greater of:

- (i) three months' interest on the portion prepaid based on the applicable rate above LIBOR, as the case may be; and,
 - (ii) the applicable Compensating Amount;
- (e) Interest based on the Bank's U.S. Base Rate and on LIBOR shall be computed on the basis of a year of 360 days and for actual days that the amounts are outstanding under the Loans on this basis. For the purpose of the Interest Act, the annual rate of interest to which interest computed on the basis of a year of 360 days is equivalent is the rate of interest as provided in the Facility Letter multiplied by the number of days in such year and divided by 360;
- (f) Loans made available based on LIBOR, and banker's acceptances, shall be drawn in the minimum amount of CAD 500,000 and integral multiples of CAD 100,000 for periods of one, two, three, four, five or six months in the case of banker's acceptances;
- (g) Upon the expiration of a LIBOR Period, or on payment by the Bank on the maturity of a banker's acceptance, unless another interest rate option is selected by the Borrower, interest shall accrue at the applicable rate in the Facility Letter based on the Bank's Prime Rate or the Bank's U.S. Base Rate, as the case may be, depending on whether the funds are outstanding in Canadian or United States dollars;
- (h) The fees collected by the Bank shall be its property as consideration for the time, effort and expense incurred by it in the review and administration of documents and financial statements, and the Borrower acknowledges and agrees that the determination of these costs is not feasible and that the fees set out in the Facility Letter represent a reasonable estimate of such costs;
- (i) Any amounts which become payable to the Bank under the Facility Letter or the Security Documents and which are not paid when due shall accrue interest and be payable from the due date at the Bank's Prime Rate plus 1.50% per annum, compounded monthly and payable on the last day of each month, both before and after demand, maturity, default and judgment, if no other interest rate is expressed for such amounts;
- (j) All payments by the Borrower to the Bank shall be made at the address of the branch of the Bank set out on the first page of the Facility Letter or at such other place as the Bank may specify in writing from time to time. Any payment delivered or made to the Bank by 1:00 p.m. local time at the place where such payment is to be made shall be credited as of that day, but if made afterwards shall be credited as of the next day on which the said branch is open for business;

- (k) Notwithstanding anything to the contrary contained in the Facility Letter, the Bank may, in its discretion, make an advance under the Loans to pay any unpaid interest or fees which have become due under the terms of the Facility Letter;
- (1) The Borrower acknowledges that the actual recording of the amount of any advance or repayment thereof under the Loans, and interest, fees and other amounts due in connection with the Loans, in an account of the Borrower maintained by the Bank shall

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constitute *prima facie* evidence of the Borrower's indebtedness and liability from time to time under the Loans; provided that the obligation of the Borrower to pay or repay any indebtedness and liability in accordance with the terms and conditions of the Loans shall not be affected by the failure of the Bank to make such recording. The Borrower also acknowledges being indebted to the Bank for principal amounts shown as outstanding from time to time in the Bank's account records, and all accrued and unpaid interest in respect of such amounts, in accordance with the terms and conditions of this Facility Letter;

- (m) The obligation of the Borrower to make all payments under the Facility Letter and the Security Documents shall be absolute and unconditional and shall not be limited or affected by any circumstance, including, without limitation:
 - (i) any set-off, compensation, counterclaim, recoupment, defence or other right which the Borrower may have against the Bank or anyone else for any reason whatsoever; or
 - (ii) any insolvency, bankruptcy, reorganization or similar proceedings by or against the Borrower;
- (n) In addition to and not in limitation of any rights now or hereafter available to the Bank whether applicable law or arising in the Security Documents, the Bank is authorized, at any time and from time to time, upon delivery of written notice to the Borrower to set-off and appropriate and to apply any and all deposits (general and special) and any other indebtedness at any time held by or owing by the Bank to or for the credit of the Borrower against and on account of the obligations and liabilities of the Borrower to the Bank under this Facility Letter. The Bank agrees to provide written notice of the exercise of any of the rights under this section immediately after the exercise of such rights;
- (o) The remedies, rights and powers of the Bank under this Facility Letter, the Security Documents and at law and in equity are cumulative and not alternative and are not in substitution for any other remedies, rights or powers of the Bank and no delay or omission in exercise of such remedy, right, or power shall exhaust such remedies, rights or powers or be construed as a waiver of any of them.

IV. Conditions Precedent

In addition to the Conditions Precedent previously set out, it shall also be a condition precedent to the initial advance and continued availability of the Loans that the Bank shall have received:

- (a) The Security Documents completed and, where necessary, registered in form and manner satisfactory to the Bank's solicitors;
- (b) Verification of insurance arranged by the Borrower conforming to the Bank's requirements;
- (c) confirmation that the Borrower is in compliance with each of the terms and conditions of the Facility Letter.

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V. Borrower's Covenants and Conditions

In addition to the conditions previously set out, the following conditions shall apply until the Loans are repaid in full and cancelled:

- (a) The Borrower shall not, without the prior written consent of the Bank:
 - (i) grant or allow any lien, charge, security interest, privilege, hypothec or other encumbrance, to be registered against or exist on any of its assets and in particular, without limiting the generality of the foregoing, shall not grant a trust deed or other instrument in favour of a trustee, other than second ranking liens in favor of Investissement Quebec and to be published on the date hereof;
 - (ii) become guarantor or endorser or otherwise become liable upon any note or other obligation other than in the normal course of business of the Borrower;
 - (iii) declare or pay dividends on any class or kind of its shares, repurchase or redeem any of its shares or reduce its capital in any way whatsoever or repay any shareholders' advances;
 - (iv) amalgamate with or permit all or substantially all of its assets to be acquired by any other person, firm or corporation or permit any reorganization or change of control of the Borrower;
 - (v) permit any property taxes or strata fees to be past due at any time.
- (b) The Bank shall have the right to waive the delivery of any Security Documents or the performance of any term or condition of the Facility Letter, and may advance all or any portion of the Loans prior to satisfaction of any of the Conditions Precedent, but waiver by the Bank of any obligation or condition shall not constitute a waiver of performance of such obligation or condition in the future;
- (c) All financial terms and covenants shall be determined in accordance with GAAP, applied consistently;
- (d) If the amount outstanding under any Loan in Canadian dollars plus the Canadian Dollar Equivalent of the amount outstanding under any Loan in a currency other than Canadian dollars at any time exceeds the amount authorized under that Loan, the Bank may, from time to time, in its sole discretion:

- (i) limit the further utilization of that Loan;
- (ii) convert all or part of the amount outstanding under that Loan to Canadian Dollars in which event, interest shall accrue and be paid on such converted amounts at the rate set out in the Facility Letter for Canadian dollar advances accruing interest with reference to the Bank's Prime Rate. If no such rate is set out in the Facility Letter, interest shall accrue on the amount so converted at the Bank's Prime Rate

plus 3% per annum, compounded monthly and payable on the last day of each month, both before and after demand, maturity, default and judgment, until paid;

- (iii) require the Borrower to pay off the excess;
- (e) The Borrower shall indemnify the Bank against any loss incurred by it as a result of any judgment or order being given or made for the payment of any amount due under the Facility Letter or the Security Documents, where:
 - (i) such judgment or order is expressed and paid in a currency (the "Judgment Currency") other than the currency of an outstanding loan (the "Loan Currency"); and
 - (ii) there is a variation between:
- (c) the rate of exchange at which the Loan Currency amount is converted into the Judgment Currency for the purposes of such judgment or order, and the rate of exchange at which the Bank is able to purchase the Loan Currency with the amount of the Judgment Currency when actually received by the Bank.

The foregoing indemnity shall constitute a separate and independent obligation of the Borrower and shall apply irrespective of any indulgence granted to the Borrower from time to time, and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term "rate of exchange" shall include any premiums and costs of exchange payable in connection with the purchase of, or conversion into, the relevant currency.

VI. Bank Visits

Representatives of the Bank shall be entitled to attend at the Borrower's business premises and to view all financial records of the Borrower at any time, on reasonable notice.

VII. Non-Merger and Non-Assignment

This Facility Letter shall, on execution by the Borrower and each Guarantor, replace all previous facility letters from the Bank to the Borrower with respect to the Loan. Any existing loan to the Borrower shall be modified, not refinanced, without novation of the Borrower's existing facilities or obligations, by virtue of the Facility Letter unless otherwise provided in the Facility Letter. The terms and conditions of the Facility Letter shall not be merged by and shall survive the execution of the Security Documents. In the event of a conflict between the terms of this Facility Letter and the terms of the Security Documents, the terms of this Facility Letter shall prevail to the extent of such conflict.

The benefits conferred by this Facility Letter shall enure to the benefit of the Bank and its successors and assigns and shall be binding on the Borrower and Guarantor and their successors and permitted assigns.

Neither the Borrower nor the Guarantor shall assign all or any of its rights, benefits or obligations under this Facility Letter without the prior written consent of the Bank.

VIII. Waiver or Variation

No term or condition of the Facility Letter or any of the Security Documents may be waived or varied verbally or by any course of conduct of any officer, employee or agent of the Bank. All waivers must be in writing and signed by the waiving party.

Any amendment to the Facility Letter or the Security Documents must be in writing and signed by a duly authorized officer of the Bank and the Borrower.

IX. Consent and Acknowledgement to Collection, Use and Disclosure of Information

When it is necessary for providing products and services to the Borrower or any Guarantor, the Borrower and each Guarantor consents to the Bank obtaining from any credit reporting agency or from any person any information (including personal information) that the Bank may require at any time. The Borrower and each Guarantor also consent to the disclosure at any time by the Bank any information concerning the Borrower and any Guarantor to any credit grantor, to any credit reporting agency, or to the Bank's subsidiaries and affiliates. If applicable, the Borrower also authorizes the Bank to release the information contemplated by any builder's lien or similar legislation to all persons claiming a right to such information under such legislation. The Borrower and each Guarantor may refuse or withdraw these consents; however this may result in the Bank cancelling or withholding products or services for which these consents are necessary. Unless each Guarantor advises the Bank otherwise, the Bank may use the each Guarantor's social insurance number to help ensure accurate credit enquiries.

X. Time of Essence

Time shall be of the essence of the Facility Letter.

XI. Governing Law

This Facility Letter and, unless otherwise specified therein, all other documents or instruments delivered in accordance with this Facility Letter shall be governed by and interpreted in accordance with the laws of the Province of Quebec (the "Governing Jurisdiction") and the laws of Canada applicable therein. The Borrower and Guarantor irrevocably submit to the exclusive jurisdiction of the courts in the Governing Jurisdiction.

April 28, 2014

DavidsTea Inc.

5430 Ferrier Street

Montréal, Québec H4P 1M2

Attention: Messrs. Herschel Segal and Howard Tafler

Dear Sirs:

Reference is made to that certain facility letter addressed to you by HSBC Bank Canada ("**Bank**") dated August 19, 2013, as amended from time to time ("**Facility Letter**"). Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Facility Letter.

The Bank hereby confirms to you that the Capital Loan is a committed term facility maturing on September 30, 2016 ("**Maturity Date**") and repayable in equal consecutive monthly instalments of principal, together with interest as set forth in the Facility Letter, and sections 2.1 and 2.4 of the Facility Letter are amended accordingly. The Bank confirms to you that the Capital Loan can be repaid prior to the Maturity Date, in whole or in part, without interest penalties provided that banker's acceptances may only be repaid at maturity and Libor Loans are subject to payment of a Compensating Amount if paid other than at the end of the Libor Period.

A second paragraph is added to section 2.4 as follows:

"The Capital Loan is repayable in full upon the occurrence of a Default (as defined in the scheduled hereto) which is continuing."

The schedule is amended by adding the following definition of "Default":

"Default" means each of the following events or circumstances:

- (a) if the Borrower fails to pay when due any amount payable pursuant hereto;
- (b) if the Borrower fails to pay any indebtedness for borrowed money exceeding CDN \$200,000 in the aggregate and which are owed otherwise than under this Facility Letter, and if such failure is not remedied or waived within five Business Days after a notice to that effect is given to the Borrower by the Bank;
- (c) if the Borrower or Guarantor ceases to carry on its business or becomes insolvent or bankrupt, or if a liquidator is appointed in respect of the Borrower or the Guarantor;
- (d) if the Guarantor attempts to terminate its Guarantee;
- (e) if property of the Borrower having a value in excess of \$250,000 is seized

or is subject to a taking of possession by a creditor, or is placed under sequestration, unless such seizure, taking of possession or sequestration is being contested in good faith and does not disrupt the normal operations of the Borrower;

- (f) if any of the representations and warranties made in this Facility Letter, or if a document supplied by the Borrower in connection with this Facility Letter is erroneous in any material respect at the time such representation and warranty is made;
- (g) if the Borrower otherwise fails to fulfil any of its obligations under this Facility Letter or any agreement evidencing the Security and if such failure is not remedied within seven (7) Business Days after a notice of such failure is given by the Bank;

or

- (h) if there is a change in the business, operations or financial condition of the Borrower that would reasonably be expected to have a significant adverse effect on the ability of the Borrower to perform its obligations hereunder."

In all other respects, the Facility Letter is hereby ratified and confirmed.

Kindly acknowledge your receipt and acceptance of the terms hereof by signing this letter in the space indicated below and returning it to the Bank on or before May 30th, 2014, failing which the terms hereof shall be null and of no effect.

Yours very truly,

HSBC BANK CANADA

/s/ Paul Sawaya

Paul Sawaya
Assistant Vice President and Team Lead

/s/ James Sinclair

James Sinclair
Vice President

Accepted on April 28, 2014

DAVIDSTEA, INC.

Per: /s/ Herschel Segal
Herschel Segal

Per: /s/ Howard Tafler
Howard Tafler

LOAN AGREEMENT with effect as of April 3, 2012.

BETWEEN: **RAINY DAY INVESTMENTS LTD**
(the “**Lender**”)

AND: **DAVIDSTEAM INC.**
(the “**Borrower**”)

WHEREAS the Lender has made a loan of an original amount of \$16,190,036 to the Corporation;

WHEREAS, on the date hereof, the Borrower has repaid an amount of \$7,499,999.76 owed under the loan by the issuance in favour of the Lender 1,396,648 Series A Preferred Shares of its share capital;

WHEREAS, on the date hereof, the outstanding principal amount under the Loan is equal to \$8,690,036.24;

AND WHEREAS the Lender and the Borrower wish to memorialize the terms of the loan, subject to and in accordance with the provisions hereof.

NOW THEREFORE, THE PARTIES HERETO HAVE AGREED AS FOLLOWS:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, the following terms have the following meanings:

“**Acceleration Event**” has the meaning ascribed thereto in Section 3.2 of this Agreement.

“**Acceleration Notice**” has the meaning ascribed thereto in Section 3.2 of this Agreement.

“**Agreement**” means this loan agreement as amended, restated, supplemented or otherwise modified from time to time.

“**Amended Articles**” means the articles of amendment of the Borrower, as they are on the date hereof.

“**Business Day**” means a day, other than Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Montreal (Québec).

“**Indebtedness**” means all obligations of the Borrower (whether primary or contingent) for borrowed money.

“**Installment**” has the meaning ascribed thereto in Section 3.1 of this Agreement.

“**Original Loan**” has the meaning ascribed thereto in Section 2.1 of this Agreement.

“**Outstanding Loan**” has the meaning ascribed thereto in Section 2.1 of this Agreement.

“**Partial Repayment**” has the meaning ascribed thereto in Section 3.2 of this Agreement.

“**Payment Dates**” means, collectively, each of the dates upon which any principal amount of the Outstanding Loan is due and payable hereunder.

“**Qualified IPO**” has the meaning ascribed to such term in the Amended Articles.

“**Redemption Date**” has the meaning ascribed to such term in the Amended Articles.

“**Redemption Eligibility Date**” has the meaning ascribed to such term in the Amended Articles.

“**Redemption Request**” has the meaning ascribed to such term in the Amended Articles.

“**Senior Lenders**” has the meaning ascribed thereto in Section 3.1 of this Agreement.

“**Senior Debt**” has the meaning ascribed thereto in Section 3.1 of this Agreement.

“**Series A Preferred Shares**” has the meaning ascribed to such term in the Amended Articles.

“**Voluntary Prepayment**” has the meaning ascribed thereto in Section 3.1 of this Agreement.

ARTICLE 2 LOAN

2.1 The Loan

The Lender agrees having made available to the Borrower a non-revolving and unsecured loan in the principal amount of CDN\$16,190,036.00 (the “**Original Loan**”). The Original Loan was disbursed to the Borrower and can be used by the Borrower for any purpose.

As at the date hereof, the outstanding principal amount under the Original Loan is equal to \$8,690,036.24 (the “**Outstanding Loan**”).

2.2 **Interest**

The principal amount of the Outstanding Loan which, at any time and from time to time, remains outstanding shall bear interest, calculated daily, on the daily unpaid balance of the Outstanding Loan, from the date hereof up to and including the day preceding the date of repayment, in full, at a rate of 4.5% per annum. The aforesaid interest shall be payable in arrears as follow: (i) until the first Payment Date, all accrued but unpaid interest shall be payable on the last Business Day of each calendar year, and (ii) from and after the first Payment Date, all accrued but unpaid interest with respect to any principal of the Outstanding Loan shall be payable on the Payment Date for such principal.

The accrued but unpaid interest on the Original Loan up to the date hereof shall be payable on the last Business Day of this calendar year.

ARTICLE 3 REPAYMENT

3.1 **Repayment of the Outstanding Loan**

The Borrower shall repay the principal amount of the Outstanding Loan to the Lender in three (3) installments of \$2,896,678.74 (each, an “**Installment**”) on each Redemption Date.

Notwithstanding the foregoing, (but subject to the following paragraph), if no Redemption Request has been made for a Redemption Date to occur prior to the date that is three (3) years following the Redemption Eligibility Date, then (i) the first Installment shall be paid no later than three (3) years following the Redemption Eligibility Date; (ii) the second Installment shall be paid no later than four (4) years following the Redemption Eligibility Date; and (iii) the third Installment shall be paid no later than five (5) years following the Redemption Eligibility Date.

Notwithstanding anything to the contrary in the Agreement, if on any Redemption Date the Borrower does not redeem in full all Series A Preferred Shares to be redeemed on such Redemption Date, then there shall become due and payable on such Redemption Date a portion of the Installment (including accrued interest thereon) otherwise due and payable on such Redemption Date equal to the portion of such Series A Preferred Shares actually redeemed on such Redemption Date, and the balance of such Installment (including accrued interest thereon) shall become due and payable on the same dates, and in the same proportion, as the balance of such Series A Preferred Shares are redeemed by the Borrower.

The Outstanding Loan may be prepaid, in whole or in part, at any time without any premium or penalty, provided that any prepayment of principal shall be applied in reverse order of maturity, unless otherwise agreed in writing by the Lender (each, a “**Voluntary Prepayment**”). Promptly following any such Voluntary Prepayment, the Lender shall confirm the revised amount to be paid on each subsequent Payment Date in accordance with the first paragraph of this Section 3.1.

The repayment of the principal amount of the Outstanding Loan and all accrued interest thereon are subordinated to the obligations of the Borrower, if any, in respect of credit facilities (the “**Senior Debt**”) which are at the time of any payment contemplated hereunder, made available to the Borrower by one or more financial institutions and which are not ranking *pari passu* with, or subordinated to, the Outstanding Loan (the “**Senior Lenders**”). Nothing contained herein shall restrict the Borrower from making or the Lender from receiving any payment on account of principal or interest on the Outstanding Loan if at the time of such payment no event of default has occurred and is continuing under the Senior Debt. The Lender covenants and agrees that, at the request of any Senior Lender, the Lender shall, at any time and from time to time, execute and deliver any subordination or inter-creditor agreement to give effect to this paragraph.

3.2 **Acceleration**

The following events shall be considered an “Acceleration Event”: (a) a Deemed Liquidation Event (as defined in the Amended Articles); or (b) the closing of a Qualified IPO.

Notwithstanding anything contained herein, upon the occurrence of an Acceleration Event, the Lender may, upon written notice (the “**Acceleration Notice**”) to the Borrower, accelerate the maturity of the Outstanding Loan, whereupon the unpaid principal of and accrued interest on the Outstanding Loan shall become immediately due and payable, provided, however, that, in the case of the closing of a Qualified IPO, there shall become immediately due and payable only an amount of the Outstanding Loan equal to (a) a portion of the unpaid principal of and accrued interest on the Outstanding Loan corresponding to the proportion of the outstanding shares held by the Series A Preferred Shareholders (as defined in the Amended Articles) sold in the Qualified IPO, shall become immediately due and payable, less (b) the aggregate proceeds to the Lender, or its affiliates, from the sale of shares in the Qualified IPO (a “**Partial Repayment**”). Following a Partial Repayment, the balance of the Outstanding Loan shall become due and payable in two equal annual installments on the first and second anniversaries of the closing of the Qualified IPO.

3.3 **No Compensation or Counterclaim**

All payments by the Borrower to the Lender hereunder shall be made free and clear of and without any deduction for or on account of, any compensation, set-off or counterclaim.

ARTICLE 4 EVENTS OF DEFAULT

4.1 **Events of Default**

The occurrence of any of the following events shall constitute an “**Event of Default**”:

- (a) if the Borrower fails to make any payment of principal or interest with respect to the Outstanding Loan in accordance with Section 3.1 hereof and such failure

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continues unremedied for a period of 5 Business Days following the delivery to the Borrower a written notice thereof from the Lender; and

- (b) if the Borrower becomes an insolvent person or commits an act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada) or makes an assignment in favour of its creditors or files or consents to the filing of a petition for a receiving order or a proposal within the meaning of the *Bankruptcy and Insolvency Act* (Canada), if it institutes a proceeding under the *Companies’ Creditors Arrangement Act* (Canada) or if it is judged insolvent or bankrupt, or makes a motion to a tribunal to name a trustee, receiver, liquidator or sequestrator with respect to its property.

4.2 **Remedies**

If an Event of Default occurs and is continuing, the Lender may declare immediately due and exigible, without presentation, demand, protest or other notice of any nature, to which the Borrower hereby expressly renounces, notwithstanding any provision to the contrary effect in this Agreement: (a) the entire amount of the Outstanding Loan then outstanding, including all accrued interest, and (b) an amount equal to the amount losses, costs and expenses incurred by the Lender in connection therewith.

Following the occurrence of an Event of Default which is continuing, the Lender may exercise all of its rights and recourses under the provisions of this Agreement and available to it at law.

ARTICLE 5 MISCELLANEOUS

5.1 **Amendment and Waiver**

The rights and recourses of the Lender under this Agreement are cumulative and do not exclude any other rights and recourses which the Lender might have, and no omission or delay on the part of the Lender in the exercise of any right shall have the effect of operating as a waiver of such right, and the partial or sole exercise of a right or power will not prevent the Lender from exercising thereafter any other right or power.

5.2 **Benefit of Agreement**

This Agreement shall be binding upon and enure to the benefit of each party hereto and its successors and permitted assigns. This Agreement may not be assigned by the Lender without the Borrower’s prior written consent, except to an affiliate of the Lender. The Borrower may not assign this Agreement without the prior written consent of the Lender.

5.3 **Applicable Law**

This Agreement, its interpretation and its application shall be governed by the laws of the Province of Quebec and the federal laws of Canada applicable therein.

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5.4. **Language**

The parties acknowledge that they have required that this Agreement and all documents, be drawn up in English. *Les parties reconnaissent avoir exigé la rédaction en anglais de la présente convention ainsi que de tous documents s’y rattachant.*

[Signature page follows]

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IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the date first hereinabove mentioned.

RAINY DAY INVESTMENTS LTD.

By: /s/ Herschel Segal

Name:

Title:

DAVIDSTEA INC.

By: /s/ Herschel Segal

Name:

DAVIDSTEAM INC.

AMENDED AND RESTATED EQUITY INCENTIVE PLAN

DavidsTea Inc. (“**Corporation**”) hereby adopts this Amended and Restated Equity Incentive Plan (the “**Plan**”) for key Employees (as hereinafter defined) of Corporation:

ARTICLE 1
PURPOSE

The purpose of the Plan is (i) to attract, retain and motivate persons of training, experience and leadership as key Employees of Corporation, and (ii) to advance the interests of Corporation by affording key Employees with the opportunity, through Options and Restricted Shares (both as hereinafter defined), to acquire an increased proprietary interest in Corporation.

ARTICLE 2
INTERPRETATION

Section 2.1 Definitions

In this Plan, the following terms have the following meanings:

“**Affiliate**” means, with respect to any specified Entity, any other Entity who, directly or indirectly, Controls, is Controlled by, or is under common Control with such Entity, including without limitation any general partner, managing member, officer or director of such Entity or any venture capital fund now or hereafter existing that is Controlled by one or more general partners or managing members of, or shares the same management company with, such Entity.

“**Agreements**” means, together, the Voting Agreement and the Right of First Refusal and Co-Sale Agreement;

“**Awardholders**” means Optionees and Restricted Shareholders, and “**Awardholder**” means any one of them;

“**Awards**” means Options and Restricted Shares, and “**Award**” means any one of them;

“**Board**” means the Board of Directors of Corporation;

“**Business Days**” means any day other than a Saturday or Sunday on which banks are open for business in Montreal, Québec;

“**Cause**” shall have the meaning as set forth in the applicable Equity Participation Agreement or, if no definition is set forth therein, shall mean any act or omission of an employee that is a part-time or full-time employee of Corporation which, pursuant to applicable law, constitutes a serious reason for termination of employment;

“**Control**” means (i) in relation to an Entity that is a corporation, the ownership, directly or indirectly, of voting shares of such Entity carrying more than fifty percent (50%) of the voting rights attaching to all voting shares of such Entity and which are sufficient, if exercised, to elect a majority of its board of directors, and (ii) in relation to an Entity that is a partnership, limited partnership, business trust or other similar Entity, (x) the ownership, directly or indirectly, of voting securities of such Entity carrying more than fifty percent (50%) of the voting rights attaching to all voting shares of the Entity or (y) the ownership of other interests or the holding of a position (such as trustee) entitling the holder thereof to exercise control and direction over the activities of such Entity;

“**Deemed Liquidation Event**” has the meaning ascribed thereto in Corporation’s articles of amendment filed on April 3, 2012;

“**Employee**” means (subject to any applicable securities laws) a full-time or part-time employee of Corporation or any contractor or consultant to Corporation (or any parent or subsidiary of the Corporation) or any officer or director of Corporation (or any parent or subsidiary of the Corporation);

“**Entity**” means a natural person, partnership, limited partnership, limited liability partnership, corporation, joint stock company, trust, estate, unincorporated association, joint venture or other entity or governmental entity, and pronouns have a similarly extended meaning;

“**Equity Participation Agreement**” means an agreement between Corporation and an Employee in the form of Schedule 4.2 hereto (with such amendments as are approved by the Board) evidencing the grant of an Award to such Employee and the terms and conditions of such Award;

“**Incapacity**” means, with respect to an Employee that is a full-time or part-time employee of Corporation or an officer or director of Corporation, any medical condition whatsoever that leads to (i) such Employee’s absence from his or her usual job functions for a continuous period of six months, without such Employee being able to resume functions at the expiration of such period on the same basis upon which such person was an Employee prior to such Incapacity (and unsuccessful attempts to return to work for periods of fewer than 28 days shall not interrupt the calculation of such six-month period); (ii) the Employee’s absence from his or her usual job functions for two hundred and 270 days in the aggregate during any period of 365 consecutive days; or (iii) a determination by a court of competent jurisdiction that the Employee is unable to manage his or her own affairs;

“**Liquidation Event**” means a winding-up, liquidation or dissolution of the Corporation, whether voluntary or involuntary, any Deemed Liquidation Event or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs or otherwise;

“**Option**” means the right to purchase Shares granted under the Plan pursuant to an Equity Participation Agreement;

“**Optionee**” means an Employee that holds Options granted under the Plan pursuant to an Option Agreement;

“**Option Price**” means the purchase price per Optioned Share determined in accordance with Section 5.1;

“**Optioned Shares**” means the Shares which may be purchased by an Optionee upon its exercise of an Option;

“**Plan**” means this Equity Incentive Plan;

“**Qualified IPO**” has the meaning ascribed thereto in Corporation’s articles of amendment filed on April 3, 2012;

“**Restricted Share**” means a Share awarded to an Employee under the Plan pursuant to an Equity Participation Agreement;

“**Restricted Shareholder**” means an Employee that holds Restricted Shares granted under the Plan pursuant to an Equity Participation Agreement;

“**Right of First Refusal and Co-Sale Agreement**” means the agreement dated April 3, 2012 among Corporation, Highland Consumer Fund I Limited Partnership, Highland Consumer Fund I-B Limited Partnership, Highland Consumer Entrepreneurs Fund I Limited Partnership, 0936441 B.C. Ltd, Rainy Day Investments Ltd., David Segal and Howard Tafler, as the same may be amended, supplemented or restated from time to time;

“**Shareholder**” means a holder of Shares;

“**Shares**” means Common shares in the capital of Corporation or, in the event of any reclassification of such Common shares, the shares or other securities in the capital of Corporation or other Entity resulting from such reclassification;

“**Termination**” means (i) in respect of an Employee that is a part-time or full-time employee of Corporation, the termination of such Employee’s employment, including termination with or without Cause, or as a result of resignation, retirement, Incapacity or death, (ii) in respect of an Employee that is a contractor or consultant of Corporation, the termination of the agreement between Corporation and such contractor or consultant for any reason by either party, or (iii) in respect of an Employee that is an officer or director of Corporation, the resignation or removal of any officer or director of Corporation; for greater certainty, the date of Termination, where referred to in this Plan or an Equity Participation Agreement, shall mean the date of actual notice from or to Corporation and shall exclude any deemed notice period imposed under statute or other applicable laws;

“**Trigger Event**” means the earliest to occur of any one of the following: (i) a Liquidation Event or (ii) the acquisition of Control of Corporation by an Entity that is not an Affiliate of Highland Consumer Fund i Limited Partnership or Rainy Day Investments Ltd.;

“**Unvested Restricted Shares**” means the Restricted Shares held by a Restricted Shareholder that are not yet vested pursuant to the relevant Equity Participation Agreement; and

“**Voting Agreement**” means the voting agreement dated April 3, 2012 among Corporation, Highland Consumer Fund 1 Limited Partnership, Highland Consumer Fund I-B Limited Partnership, Highland Consumer Entrepreneurs Fund I Limited Partnership, 0936441 B.C. Ltd, Rainy Day Investments Ltd., David Segal and Howard Tafler, as the same may be amended, supplemented or restated from time to time.

Section 2.2 Gender and Number

Any reference in this Plan to gender shall include all genders and words importing the singular number only shall include the plural and *vice versa*.

ARTICLE 3 SHARES RESERVED FOR ISSUANCE

Section 3.1 Maximum Shares Reserved

Subject to adjustment as provided under Section 3.2, Awards may be made under the Plan for up to 1,560,691 Shares. Awards shall not be granted under the Plan for a number of Shares in excess of the maximum number of Shares reserved for issuance, provided that (i) if any Award expires or otherwise terminates for any reason without having been exercised in full, the number of Shares in respect of which the Award has expired or terminated shall again be available for issuance (either as Restricted Shares or pursuant to the exercise of Options) under the Plan, and (ii) in respect of each Class “AA” Common Share (non-voting) in Corporation’s capital and each option exercisable therefor that was issued prior to the date hereof (of which there are 376,963, in the aggregate) that is repurchased by Corporation, an Award for the purchase of one Shares shall thereafter again be available for issuance (either as a Restricted Share or pursuant to the exercise of an Option).

Section 3.2 Changes in Share Capital

In the event of a subdivision, combination or reclassification of shares in the capital of the Corporation, the Board shall immediately take all corporate actions in order that the Corporation adjusts the maximum number of Shares reserved for issuance pursuant to the exercise of Options under the Plan, the number of Shares subject to outstanding Options and the exercise price of outstanding Options, as necessary, to take into consideration such subdivision, combination or reclassification.

If at any time hereafter the Corporation shall consolidate, merge or amalgamate with or into another company (the company resulting or continuing from such consolidation, merger or amalgamation being herein called the “**Successor Corporation**”), each Optionee shall be entitled to receive upon the subsequent exercise of the Option in accordance with the terms hereof and shall accept in lieu of the number of Shares for which the Options are then exercisable, for the same aggregate consideration payable therefor, the aggregate number of shares of the appropriate class and/or other securities of the Corporation or the Successor

Corporation (as the case may be) and/or other consideration from the Corporation or the Successor Corporation (as the case may be) that the Optionee would have been entitled to receive in connection with such reclassification, reorganization or other change or such consolidation, merger or amalgamation if it had exercised its Options immediately prior to such reclassification, reorganization or other change or such consolidation, merger or amalgamation.

ARTICLE 4 GRANT OF AWARDS

Section 4.1 Grant of Awards

The Board may, at any time and from time to time prior to the Plan being terminated or suspended, grant Awards to such Employees as the Board may select for the number of Optioned Shares and/or Restricted Shares that it shall designate, subject to the provisions of this Plan. The Board shall make all necessary or desirable determinations regarding the granting of Awards and may take into consideration the present and potential contributions of a particular Employee to the success of Corporation and any other factors that the Board may deem proper and relevant. The grant of any Restricted Share to, and the exercise of any Option by, an Employee shall be conditional upon the execution and delivery by such Employee of each of the Agreements (if such Employee is not already a party thereto).

Options are intended to be nonstatutory stock options for United States tax purposes and shall not be treated as incentive stock options within the meaning of section 422(b) of the *United States Internal Revenue Code*.

Section 4.2 Equity Participation Agreement

Each Award granted by the Board shall be evidenced by an Equity Participation Agreement between the Awardholder and Corporation. Each Equity Participation Agreement shall specify the Award granted, the Option Price (in the case of an Option), the terms and conditions of the Award, the applicable vesting schedule and any special restrictions on the Award, including the conditions for repurchase or forfeiture of any Restricted Share awarded.

Section 4.3 Covenants to Corporation

Notwithstanding any other provision of the Plan, and except as provided in any Equity Participation Agreement, all vested and unvested Options held by an Optionee, and all Restricted Shares held by a Restricted Shareholder, shall immediately terminate and be forfeited and become null, void and of no effect if such Awardholder does not comply with the terms of any confidentiality, non-disclosure, non-solicitation or non-competition covenants given by such Awardholder to Corporation.

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ARTICLE 5 OPTION PRICE

Section 5.1 Option Price

The Option Price per Optioned Share at the time any Option is granted, and the issue price of any Restricted Share, shall be the greater of:

- (a) the fair market value of a Share at the time the Option is granted or the Restricted Share is issued, as the case may be, as determined in good faith by the Board; and
- (b) such other amount as is determined in good faith by the Board at the time of grant or issuance.

ARTICLE 6 TERMS OF EQUITY PARTICIPATION AGREEMENT

Section 6.1 Equity Participation Agreement

Unless otherwise modified by the Board generally or in regard to specific Options or Restricted Shares, and subject to any applicable regulatory requirements, each Equity Participation Agreement shall:

- (a) provide that the term of any Option granted thereunder is not greater than ten years from the date of the grant;
- (b) provide a vesting schedule for any Options or Restricted Shares granted thereunder (which shall be subject to Section 4.3 and Section 9.1);
- (c) provide a description of when any Options granted thereunder shall be exercisable (which shall be subject to Section 4.3 and Section 9.1);
- (d) not be assigned or transferred by any Awardholder and no Award may be assigned or transferred, and shall be exercisable only, by the Awardholder, subject to Section 9.1(1) with respect to the death of such Awardholder; and
- (e) provide that the exercise of any Option and the issuance of any Restricted Share will be contingent upon receipt by Corporation of payment of the full purchase price of such Optioned Shares or the issue price of such Restricted Share, as the case may be, or, in the case of the exercise of an Option, the election by the Optionee to receive Shares pursuant to the cashless exercise provisions of Section 7.4.

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ARTICLE 7 EXERCISE OF OPTIONS

Section 7.1 Notice of Exercise

Options shall be exercised by written notice to Corporation in the manner provided in Section 12.1, specifying the number of Optioned Shares in respect of which such Option is then being exercised (the “**Notice**”) and such notice shall include a cheque or cash in respect of the then applicable Option Price per Optioned Share being exercised (unless the Optionee elects to receive Shares pursuant to the cashless exercise provisions of Section 7.4). As a condition precedent to the exercise of any Option, the Optionee shall execute and become a party to each of the Agreements, and the Optioned Shares shall become subject to the terms of each of the Agreements.

Section 7.2 Issuance of Shares

Subject to Section 7.3, following the exercise of the Option, Corporation shall take all actions necessary to issue such Optioned Shares to the Optionee, provided that in the event of an exercise pursuant to Section 11.2, Corporation shall place such issued Optioned Shares in escrow to ensure satisfaction of the terms of the requirements referred to in Section 11.2.

Section 7.3 Obligation to Issue Shares

Corporation’s obligation to issue Optioned Shares to an Optionee pursuant to the exercise of an Option shall be subject to:

- (a) completion of such registration or other qualifications of such Optioned Shares or obtaining approval of such governmental authority or stock exchange as Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale of the Optioned Shares;
- (b) Optionee executing a counterpart to each of the Agreements containing terms and conditions satisfactory to Corporation, acting reasonably (if the Optionee is not already a party thereto);
- (c) the admission of such Optioned Shares to listing on any stock exchange on which the Shares may then be listed or proposed to be listed; and
- (d) the receipt from the Optionee of such representations, agreements and undertakings as to future dealings in such Optioned Shares as may be necessary to comply with applicable securities laws or stock exchange requirements.

The drafting of all documentation and the obtaining of all registrations, approvals, listings and all other qualifications shall be undertaken by Corporation in a timely fashion at Corporation’s sole expense.

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Section 7.4 Cashless Exercise

In lieu of exercising the Option for cash, the Optionee may elect to receive instead of the Optioned Shares that number of Shares, disregarding fractions, equal to the value (as determined below) of such Option (or the portion thereof being exercised) by surrender of the Option at the principal office of Corporation together with a properly endorsed notice of exercise and a notice of cashless exercise, in which event Corporation shall issue to the Optionee, upon exercise, that number of Shares calculated using the following formula:

$$X = Y(A-B)/A$$

Where X = the number of Shares to be issued to the Optionee upon such cashless exercise

Y = the number- of Optioned Shares being exercised or, if only a portion of the Option is being exercised, the portion of the Option being exercised

A = The fair market value of one Share as determined by the Board as at the date of such cashless exercise if such fair market value is greater than the Option Price.

B = Option Price.

Section 7.5 Cash-Out Option

Unless otherwise provided in the relevant Equity Participation Agreement, Corporation may elect, in its sole discretion, in lieu of issuing Shares, to repurchase some or all of the Options being exercised, at a price in cash calculated by multiplying the number of Options being exercised by the fair market value of the Shares underlying the Options being exercised, as determined in good faith by the Board (the “**Cash-Out Option**”). The Corporation shall exercise such Cash-Out Option by delivering or mailing to the Optionee within 10 days following receipt by the Corporation of a properly endorsed notice of exercise and a cheque or cash in respect of the then applicable Option Price per Options being exercised (unless the Optionee elects to receive Shares pursuant to the cashless exercise provisions of Section 7.4).

ARTICLE 8 PROVISIONS RELATING TO RESTRICTED SHARES

Section 8.1 Accrued Dividends

Unless otherwise provided in the relevant Equity Participation Agreement, any dividends (whether paid in cash, shares or property) declared and paid by Corporation on the Shares at a time when a Restricted Share is subject to restrictions on transferability and forfeitability pursuant to an Equity Participation Agreement (an “**Accrued Dividend**”) shall not be payable to the Restricted Shareholder until such time as such Restricted Share becomes free from such restrictions on transferability and forfeitability. If and when such Restricted Share becomes free from all such restrictions on transferability and forfeitability, the Accrued Dividends shall

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become payable to the Restricted Shareholder, and such payments will be made no later than the end of the calendar year in which the related dividend was paid to Shareholders.

Section 8.2 Share Certificates

Corporation may require that any share certificates issued in respect of Restricted Shares that are subject to restrictions on transferability and forfeitability pursuant to an Equity Participation Agreement be deposited in escrow by the Restricted Shareholder, together with a share power endorsed in blank, with Corporation (or its designee).

If and when such Restricted Shares become free from such restrictions on transferability and forfeitability, Corporation (or its designee) shall deliver the certificates no longer subject to such restrictions to the Restricted Shareholder or if the Restricted Shareholder has died, to his or her Designated Beneficiary. **“Designated Beneficiary”** means (i) the beneficiary designated, in a manner determined by the Board, by the Restricted Shareholder to receive amounts due or exercise rights of the Restricted Shareholder in the event of the Restricted Shareholder’s death or (ii) in the absence of an effective designation by the Restricted Shareholder, **“Designated Beneficiary”** means the Restricted Shareholder’s estate.

Section 8.3 Legend

All certificates representing Restricted Shares shall have affixed thereto legends in substantially the following form, in addition to any other legends that may be required under federal or provincial securities laws and the Agreements:

“THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO AN OPTION TO PURCHASE SET FORTH IN A CERTAIN RESTRICTED SHARES AGREEMENT BETWEEN THE COMPANY AND THE SHAREHOLDER (OR ITS PREDECESSOR IN INTEREST), AND SUCH AGREEMENT IS AVAILABLE FOR INSPECTION WITHOUT CHARGE AT THE OFFICE OF THE SECRETARY OF THE COMPANY.”

ARTICLE 9 TERMINATION OF EMPLOYEES

Section 9.1 Termination Event

- (1) Unless otherwise provided hereunder or in the Equity Participation Agreement, in the event of Termination as a result of retirement, Incapacity or death of an Awardholder:
 - (a) subject to Section 9.1(3), Corporation may elect, in its sole discretion, to repurchase some or all of the Shares held by such Employee (i) in the case of Optioned Shares and vested Restricted shares, at a price in cash calculated by multiplying the number of Shares being repurchased by the fair market value of the Shares, as determined in good faith by the Board and (ii) in the case of Unvested Restricted Shares, for 1.00\$ in total for all tire Unvested Restricted Shares;
 - (b) An Optionee may exercise any of its Options to the extent that such Options were exercisable at the date of such death, retirement or Incapacity and the right to exercise such Options terminates on the earlier of: (i) in the case of Optionee’s death or Incapacity, the date that is 180 days from the date of Optionee’s death or Incapacity, and in the case of Optionee’s retirement, tire date that is 90 days from the date of the Optionee’s retirement; and (ii) the date on which the particular Option expires pursuant to this Plan; and (iii) the date determined by the Board in the event of a Trigger Event, provided that if an Optionee (or his or her legal representative) does not exercise his or her Options on or prior to such date, such Options shall be deemed to have been automatically exercised and Corporation shall set aside for pick-up by Optionee (or his or her legal personal representative) the cash amount to which such Optionee is entitled to receive. Any Options held by the Optionee that were not exercisable at the date of death, retirement or Incapacity immediately expire and are cancelled on such date; and
 - (c) such Awardholder’s eligibility to receive further grants of Awards under the Plan ceases as of the date of Awardholder’s death, retirement or Incapacity, as the case may be.
- (2) Unless otherwise provided hereunder or in the Equity Participation Agreement, in the event of Termination of an Employee that is a part-time or full-time employee of Corporation without Cause (whether such termination occurs with or without any or adequate reasonable notice, or with or without any or adequate compensation in lieu of such reasonable notice):
 - (a) any Options held by such Employee that are exercisable at the date of Termination continue to be exercisable by such Employee until the earlier of: (A) the date that is 30 days after the date of Termination; (B) the date on which the particular Option expires pursuant to this Plan; and (C) the date determined by the Board in the event of a Trigger Event. Any Options held by such Employee that are not exercisable at the date of Termination immediately expire and are cancelled on the date of Termination;
 - (b) Corporation may elect, in its sole discretion, to repurchase some or all of the Shares held by such Employee (i) in the case of Optioned Shares and vested Restricted shares, at a price in cash calculated by multiplying the number of Shares being repurchased by the fair market value of the Shares, as determined in good faith by the Board and (ii) in the case of Unvested Restricted Shares, for 1.00\$ in total for all the Unvested Restricted Shares,.
- (3) Unless otherwise provided hereunder or in the Equity Participation Agreement, in the event of Termination of an Employee that is a part-time or full-time employee of Corporation for Cause, the termination of the relevant contract or consulting agreement by either party for any reason, then any Awards held by such Employee, whether or not exercisable (in the case of Options) or whether or not they are Unvested Restricted Shares (in the case of Restricted Shares) at the date of Termination, shall immediately expire and are cancelled and forfeited for no consideration on such date or at a time as may be

determined by the Board, in its sole discretion. Corporation may elect, in its sole discretion, to repurchase some or all of the Shares held by such Employee at a price in cash calculated by multiplying the number of Shares being repurchased by the Corporation by the lesser of (i) the purchase price in the case of Optioned Shares or the issue price in the case of Restricted Shares and (ii) the fair market value of the Shares, as determined in good faith by the Board.

- (4) An Optionee's eligibility to receive further grants of Options under the Plan, and a Restricted Shareholder's right to receive additional Restricted Shares under the Plan and to exercise any rights with respect to any Restricted Shares previously granted, cease on the earlier of: (i) the date of Termination and (ii) the date that Corporation provides the Awardholder with written notification of such Awardholder's Termination pursuant to Section 9.1(1), Section 9.1(2) or Section 9.1(3), notwithstanding that such date may be prior to the date of Termination.
- (5) If Corporation wishes to exercise its option (the "**Purchase Option**") to repurchase the Shares in accordance with Section 9.1(l)(a), Section 9.1(2)(b) or 9.1(3), Corporation shall exercise such Purchase Option by delivering or mailing to the Shareholder (or his estate), within 180 days after the Termination, a written notice of exercise of the Purchase Option (the "**Exercise Notice**"). The Exercise Notice shall specify the number of Shares to be purchased. If an Exercise Notice is not delivered within such 180-day period, the Purchase Option shall automatically expire and terminate effective upon the expiration of such 180-day period.
- (6) Within ten (10) days after delivery to the Shareholder (or his estate) of the Exercise Notice, the Shareholder (or his estate) shall, either directly or pursuant to the provisions of an escrow instruction if the Awardholder is required to execute on pursuant to his Equity Participation Agreement, tender to Corporation at its principal office the certificate or certificates representing the Shares that Corporation has elected to purchase in accordance with the terms of this Agreement, duly endorsed in blank or with duly endorsed share powers attached thereto, all in form suitable for the transfer of such Shares to Corporation. Promptly following its receipt of such certificate or certificates, Corporation shall pay to Awardholder the price set forth in Section 9.1(l)(a), Section 9.1(2)(b) or 9.1(3) (provided that any delay in making such payment shall not invalidate Corporation's exercise of the Purchase Option with respect to such Shares).
- (7) After the time at which any Shares are required to be delivered to Corporation for transfer to Corporation pursuant to this Article 9, no dividends shall accrue on account of such Shares and the Shareholder shall not be entitled to exercise any of the privileges or rights of a Shareholder with respect to such Shares, but shall, in so far as permitted by law, treat Corporation as the owner of such Shares.
- (8) Corporation may assign its Purchase Option to one or more Entities.

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ARTICLE 10 SHAREHOLDER RIGHTS

Section 10.1 Shareholder Rights

An Optionee shall have no rights whatsoever as a shareholder in respect of any of the Optioned Shares (including any right to vote or to receive dividends or other distributions therefrom), unless and only to the extent that the Optionee shall from time to time duly exercise an Option, become a Shareholder and become a party and be subject to the terms of each of the Agreements, unless already a party thereto. A Restricted Shareholder shall have the rights of a Shareholder, subject to Article 8 and the provisions of the applicable Equity Participation Agreement.

ARTICLE 11 TRIGGER EVENT

Section 11.1 Sale of Shares

- (1) In the event of the occurrence of a Trigger Event, each Optionee holding vested Options or holding Options that would vest upon the completion of such Trigger Event shall have the right, and the Board shall forthwith give notice in writing of such right to coach such Optionee, to exercise such Options within such period as the Board determines is necessary to permit Optionees to tender all Shares under such Options in such transaction. Any Options held by the Optionee that are not exercised upon the completion of such Trigger Event (including any unvested Options) expire and are cancelled on the date of completion of such transaction;
- (2) Unless otherwise provided in the relevant Equity Participation Agreement, the Board may, in its sole discretion, accelerate the vesting of all or any part of any Option granted hereunder for the sole purpose of exercising such Options as provided in this Section 11.1; provided that, as a condition precedent to the exercise of any Option so declared vested by the Board of Directors for the purposes hereof, each Optionee agrees with Corporation to forthwith surrender to Corporation any Shares acquired upon the exercise of such Options against reinstatement of such Options upon their original terms in the event that the Trigger Event referred to in Section 11.1(1) is withdrawn or terminated without any Shares being taken up or assets being purchased thereunder, as the case may be.
- (3) Unless otherwise provided in the relevant Equity Participation Agreement, the Board may, in its sole discretion, accelerate the vesting of any Unvested Restricted Shares for the sole purpose of permitting such Unvested Restricted Shares to be treated as Shares in connection with the Trigger Event; provided that, as a condition precedent to the accelerated vesting of any Unvested Restricted Shares for the purposes hereof, each holder thereof agrees with Corporation that in the event that the Trigger Event referred to in Section 11.1(1) is withdrawn or terminated without any Shares being taken up or assets being purchased thereunder, as the case may be, such shares shall again become

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Unvested Restricted Shares that are subject to the same terms and conditions as prior to such accelerated vesting.

Section 11.2 Qualified IPO

If Shares are to be offered to the public pursuant to a Qualified IPO, the Board may, in its sole discretion, give an Optionee the right, by giving notice in writing of such right to each Optionee, to exercise within such period as the Board determines is appropriate, Options that are vested or that will have been vested

on the anticipated closing date of the Qualified IPO. An Optionee wishing to exercise such right, if granted by the Board, shall agree in writing with Corporation to forthwith surrender any Shares acquired upon the exercise or conditional exercise of such Options to Corporation against reinstatement of such Options upon their original terms in the event that the Qualified IPO is not completed as contemplated. Each Optionee agrees to deposit that portion of Shares received pursuant to this Section 11.2 in escrow as required by any securities commission or other regulatory authority or any stock exchange on which the Shares will be listed. Optionees further acknowledge and agree that they need not be consulted on the proposed Qualified IPO, that their consent or approval to the Qualified IPO need not be obtained and that they shall not be entitled to notice of any shareholder meeting called to approve the Qualified IPO.

Section 11.3 Cash Out Option

In the event of a transaction described in Section 11.1 or Section 11.2, where the purchase price to be paid under such transaction is in cash, an Optionee may, in lieu of exercising his Option under Section 11.1 or Section 11.2, require Corporation, by notice to Corporation not less than one day prior to the date of completion of such transaction, to purchase his Option for a purchase price in cash equal to the purchase price per share under such transaction times the number of shares subject to this Option, less the Option Price times the number of shares subject to this Option, subject to the agreement of the Optionee to execute such instrument as Corporation requires such that the Optionee assumes the same obligations with respect to such transaction described in Section 11.1 or Section 11.2 as if the Optionee had sold its Optioned Shares to the purchaser under such transaction. Such purchase by Corporation shall occur on the same day and at the same time and place as such transaction, and shall be conditional upon the completion of such transaction.

ARTICLE 12 GENERAL

Section 12.1 Notice

Any notice required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand, mailed by first class mail, postage prepaid or telecopied and addressed to the recipient, and if to Corporation at its principal office and if to an Awardholder, at the address indicated in the Equity Participation Agreement or at the Awardholder's last known address shown in the records of Corporation. It is the responsibility of an Awardholder to advise Corporation of any change in address, and Corporation shall not have any responsibility for any failure by an Awardholder to do so. An Awardholder may change his,

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her or its address from time to time by notice in writing to Corporation. Corporation shall give written notice to each Awardholder of any change of Corporation's address. Any such notice, if mailed, shall be deemed to have been received on the fifth (5th) business day next following the date of mailing, if delivered, on the date of delivery and, if sent by facsimile, on the day following receipt of the facsimile.

Section 12.2 Employment

No Employee shall be induced to acquire Awards or to exercise Awards by expectation of employment, engagement or service or continued employment, engagement or service. Nothing contained in the Plan shall confer upon any Awardholder any right with respect to employment, engagement to service or in continuance of employment, engagement or service with Corporation or interfere in any way with the right of Corporation to terminate an Awardholder's employment, engagement or service at any time. The Plan does not give any Awardholder any right to claim any benefit or compensation except to the extent specifically provided in the Plan.

Section 12.3 Amendment

The Board reserves the right to amend or modify the Plan at any time if and when it is deemed advisable in its absolute discretion, including, without limitation, in order to enable Corporation to consummate a Trigger Event, provided, however, that no amendment, modification, or discontinuation shall be made without the consent of a Participant, if such action would diminish any of the rights of the Participant under any Award theretofore granted to such Participant under the Plan; provided that any outstanding Options and the terms of any Restricted Shares may be amended in the sole discretion of the Board in order to comply with any requirements of all applicable regulatory authorities or stock exchange. The foregoing may include, among other things, a change in the term, vesting period or price related to Options or the restrictions applying to any Restricted Share, and each Awardholder hereby consents to any such change.

Section 12.4 Tax Withholding

Corporation will withhold from any cash payment made pursuant to an Award an amount sufficient to satisfy all federal, provincial, state and local withholding tax requirements (the "**withholding requirements**").

In the case of an Award pursuant to which Shares may be delivered, the Board will have the right to require that the Awardholder or other appropriate person remit to the Corporation an amount sufficient to satisfy the withholding requirements, or make other arrangements satisfactory to the Board with regard to such requirements, prior to the delivery of any Shares or removal of restrictions thereon. If and to the extent that such withholding is required, the Board may permit the Awardholder or such other person to elect at such time and in such manner as the Board provides to have the Corporation hold back from the Shares to be delivered, or to deliver to the Corporation, Shares having a value calculated to satisfy the withholding requirement. The Board may make such share withholding mandatory with respect to any Award at the time such Award is granted.

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Section 12.5 Termination or Suspension of the Plan

The Board at any time may suspend or terminate the Plan. No Award may be granted under the Plan while the Plan is suspended or after it is terminated. Notwithstanding the foregoing, except as provided in Section 4.3, Section 12.3 or Section 12.9, no suspension or termination shall diminish the rights of any Participant under any then outstanding Award without the consent of such Participant.

Section 12.6 Administration

The Plan shall be administered by the Board, which shall be empowered to interpret the Plan from time to time and to adopt, amend and rescind rules and regulations for carrying out the Plan. Any decision or determination made or action taken unanimously by the Board (excluding the vote of any Awardholder if he or she is then a member of the Board) arising out of or in connection with the interpretation and administration of the Plan shall be, final and conclusive, and the interpretation and construction of any provision of the Plan by unanimous action of the Board (excluding the vote of any Awardholder if he or she is then a member of the Board) shall be final and conclusive. No member of the Board or any Entity acting pursuant to authority delegated by it, including the Investor, shall be liable for any action or determination in connection with the Plan made or taken in good faith, and each member of the Board and each such Entity and the investor shall be entitled to indemnification with respect to any such action or determination in the manner provided for by Corporation.

Section 12.7 No Undertaking or Representation

The Awardholders, by participating in the Plan, shall be deemed to have accepted all risks associated with acquiring Shares pursuant to the Plan. Corporation hereby informs each Awardholder that the Options, Optioned Shares and Restricted Shares are subject to, and may be required to be held indefinitely under, applicable securities laws, Corporation and the Board make no undertaking, representation, warranty or guarantee as to the future value or price, or as to the listing on any stock exchange or other market, of any Shares issued in accordance with the provisions of the Plan, and shall not be liable to any Awardholder for any loss whatsoever resulting from that Awardholder's participation in the Plan or as a result of the amendment, suspension or termination of the Plan or any Award.

Section 12.8 Applicable Law

This Plan and the provisions hereof shall be governed by and interpreted and enforced in accordance with the laws of the Province of Québec and the laws of Canada applicable therein.

Section 12.9 Compliance with Applicable Law

If any provision of the Plan or any Award contravenes any law or any order, policy, bylaw, rule or regulation of any regulatory body or stock exchange having jurisdiction or authority over the securities of Corporation or the Plan, then such provision may in the sole discretion of the Board be amended to the extent considered necessary or desirable to bring such provision into compliance therewith.

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Section 12.10 Severability

If any provision of this Agreement shall be determined by any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall continue in full force and effect.

Section 12.11 Entire Plan

This Plan constitutes the entire stock option plan for Employees and supersedes any prior option plans or other equity participation agreements for or with Employees.

[SIGNATURE PAGE FOLLOWS]

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EXECUTED and effective as of 22 February, 2013.

DAVIDSTEA INC.

Per: /s/ Authorized Person
Authorized Signing Officer

Per: /s/ Herschel Segal
Authorized Signing Officer

SCHEDULE 4.2

Form of Equity Participation Agreement

See attached.

EQUITY PARTICIPATION AGREEMENT

Equity Participation Agreement made as of the _____ day of _____, 2013 between DavidsTea Inc. ("Corporation") and _____ ("Awardholder").

RECITALS:

- (a) Corporation has adopted an Equity Incentive Plan (the “**Plan**”) which provides for the granting of Options and Restricted Shares to key Employees (all as defined in the Plan) of Corporation;
- (b) Awardholder is an employee of Corporation and will render faithful and efficient service to Corporation in that capacity;
- (c) Corporation desires to continue to receive the benefit of the services of Awardholder and to more fully identify his interest with Corporation’s future and success; and
- (d) Corporation, acting through its Board, approved the granting of Awards to Awardholder upon the terms and conditions hereinafter provided.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1 DEFINED TERMS

Section 1.01 Defined Terms

Unless otherwise defined herein, defined terms shall have the meaning ascribed to such terms in the Plan.

ARTICLE 2 GRANT OF OPTIONS

Section 2.01 Option to Purchase

Corporation hereby grants to Awardholder the number of options set out beside Awardholder’s name in Schedule 1 attached hereto (“**Options**”) to purchase from Corporation the number of Shares set out beside Awardholder’s name in Schedule I attached hereto (the “**Optioned Shares**”) at a price of \$1.23 per Share (the “**Option Price**”), upon the terms and conditions contained herein and in the Plan. The number of Optioned Shares which may be acquired pursuant to the Options shall be those which vest in accordance with Section 2.03 hereof.

Section 2.02 Basic Term of Options

Unless earlier terminated in accordance with the Plan, the Options shall no longer be exercisable and shall expire on the seventh (7th) anniversary of the date hereof, unless indicated otherwise on Schedule I attached hereto.

Section 2.03 Vesting

(a) Subject to the remaining provisions of this Agreement, the Options shall vest upon the earlier of (i) the respective dates as indicated in Schedule I attached hereto, and (ii) a Trigger Event, and shall be exercisable to the extent this Option has vested.

(b) The Awardholder shall be entitled to cause the Corporation to hold back Shares to satisfy withholding requirements pursuant to Section 12.4 of the Plan.

Section 2.04 Subject to the Plan

Unless otherwise specified or modified herein, the Options are subject in all respects to the provisions of the Plan and compliance by Awardholder or his legal representative (the “**Representative**”) with the terms thereof. A copy of the Plan shall be provided to Awardholder or his Representative upon request from time to time. Awardholder acknowledges having read a copy of the Plan in effect on the date hereof.

Section 2.05 Transferability

The Options shall not be assignable or transferable, except in accordance with the terms of the Plan.

Section 2.06 Right of a Shareholder

Awardholder shall have no rights as a shareholder with respect to the Optioned Shares until after (i) payment in full of the Option Price for the Optioned Shares for which the Options are being exercised and (ii) the execution by Awardholder of a counterpart to each of the Agreements (if Awardholder is not already a party thereto) and any other agreement reasonably requested by Corporation in order to ensure that upon issuance of the Optioned Shares to Awardholder that Awardholder be bound by the terms and conditions of each of the Agreements. Awardholder shall have no right as a shareholder with respect to such Optioned Shares until the issuance of such Shares and no adjustment shall be made for dividends or other rights for which the record date is prior to the time such Shares are issued. Corporation shall issue such Optioned Shares so purchased within ten (10) Business Days after the conditions set out in the first sentence of this paragraph have been met and deliver share certificates in respect of such Optioned Shares as soon as practicable thereafter.

Section 2.07 Notice of Exercise of Option

Notwithstanding anything to the contrary in the Plan, Corporation shall notify Awardholder at least ten Business Days prior to the occurrence of a Trigger Event. The Options shall be exercised in whole or in part upon Awardholder providing not less than three Business Days written notice prior to the Trigger Event (the “**Exercise Date**”) and any Option not exercised by the Exercise Date shall terminate and expire at the end of the day on the Exercise Date.

Section 2.08 Schedule

Corporation may, from time to time, update Schedule I attached hereto to reflect any change in the number of Options granted, the Option Price or the number of outstanding Options resulting from any expiration or cancellation of Options pursuant to the Plan.

ARTICLE 3 MISCELLANEOUS

Section 3.01 Severability

If any provision of this Agreement shall be determined by any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall continue in full force and effect.

Section 3.02 Governing Law

This Agreement and the Options granted hereunder shall be governed by and construed in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein.

Section 3.03 Language

The parties hereto have expressly required that this Agreement, as well as all documents which relate to it, be drafted in English. *Les parties aux présentes ont expressément requis que cette entente ainsi que tous les documents s’y rattachant soient rédigés en anglais.*

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the parties hereto have duly executed this agreement as of the date first above written.

DAVIDSTEA INC.

By: _____
Authorized Signing Officer

By: _____
Authorized Signing Officer

[EMPLOYEE’S NAME]

SCHEDULE I

OPTIONS

Number of Options Granted to the Awardholder: ·

Number of Shares Issuable Upon the Exercise of All Options: ·

Vesting: : 4 equal consecutive annual installments, the first of which would vest on the first anniversary of the date of this agreement;

DAVIDsTEA INC.
(THE “CORPORATION”)

AMENDMENT TO THE AMENDED AND RESTATED EQUITY INCENTIVE PLAN DATED APRIL 3, 2012

RECITALS:

- (a) On April 3, 2012, the Corporation adopted an Amended and Restated Equity- Incentive Plan (the “**Plan**”) (i) to attract, retain and motivate persons of training, experience and leadership as key employees of the Corporation, and (ii) to advance the interests of the Corporation by affording key employees with the opportunity, through options and restricted shares, to acquire an increased proprietary interest in the Corporation.
- (b) Pursuant to Section 12.3 of the Plan, the board of directors of the Corporation reserves the right to amend or modify the Plan at any time if and when it is deemed advisable in its absolute discretion.

NOW, THEREFORE:

1. Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Plan.

2. Section 3.1 of the Plan (*Maximum Shares Reserved*) is amended to increase the aggregate number of Shares reserved for issuance from time to time from 1,560,691 to 1,694,964.

On and after the date hereof, any reference to “**the Plan**” in the Plan and any reference to the Plan in any other agreements will mean the Plan, as amended by this amendment. Except as specifically amended by this amendment, the provisions of the Plan remain in full force and effect.

Approved by a resolution of the board of directors of the Corporation dated February 24, 2014.

**DAVIDsTEA INC.
(THE “CORPORATION”)**

AMENDMENT TO THE AMENDED AND RESTATED EQUITY INCENTIVE PLAN DATED APRIL 3, 2012 AND AMENDED ON FEBRUARY 24, 2014

RECITALS:

- (a) On April 3, 2012, the Corporation adopted an Amended and Restated Equity Incentive Plan (the “**Plan**”) (i) to attract, retain and motivate persons of training, experience and leadership as key employees of the Corporation, and (ii) to advance the interests of the Corporation by affording key employees with the opportunity, through options and restricted shares, to acquire an increased proprietary interest in the Corporation.
- (b) On February 24, 2014, the Plan was amended to increase the aggregate number of common shares reserved for issuance under the Plan from 1,560,691 to 1,694,964.
- (c) Pursuant to Section 12.3 of the Plan, the board of directors of the Corporation reserves the right to amend or modify the Plan at any time if and when it is deemed advisable in its absolute discretion.

NOW, THEREFORE:

- 1. Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Plan.
- 2. Section 3.1 of the Plan (*Maximum Shares Reserved*) is amended to increase the aggregate number of Shares reserved for issuance from time to time from 1,694,964 to 1,900,000.

On and after the date hereof, any reference to “**the Plan**” in the Plan and any reference to the Plan in any other agreements will mean the Plan, as amended by this amendment. Except as specifically amended by this amendment, the provisions of the Plan remain in full force and effect.

Approved by a resolution of the board of directors of the Corporation dated March 3, 2014.

**DAVIDsTEA INC.
(THE “CORPORATION”)**

AMENDMENT TO THE EQUITY INCENTIVE PLAN DATED APRIL 3, 2012, AS AMENDED FROM TIME TO TIME

RECITALS:

- (a) On April 3, 2012, the Corporation adopted an Equity Incentive Plan, as amended from time to time (the “**Plan**”) (i) to attract, retain and motivate persons of training, experience and leadership as key employees of the Corporation, and (ii) to advance the interests of the Corporation by affording key employees with the opportunity, through options and restricted shares, to acquire an increased proprietary interest in the Corporation.
- (b) On February 24, 2014, the Plan was amended to increase the aggregate number of common shares reserved for issuance under the Plan from 1,560,691 to 1,694,964.
- (c) On March 3, 2014, the Plan was amended to increase the aggregate number of common shares reserved for issuance under the Plan from 1,694,964 to 1,900,000.
- (d) Pursuant to Section 12.3 of the Plan, the board of directors of the Corporation reserves the right to amend or modify the Plan at any time if and when it is deemed advisable in its absolute discretion.

NOW, THEREFORE:

- 1. Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Plan.
- 2. The reference to “**10 days**” in Section 7.5 of the Plan is deleted and replaced with “**30 days**.”
- 3. Section 12.6 of the Plan is deleted and replaced with the following:

“The Plan shall be administered by the Board, which shall be empowered to interpret the Plan from time to time and to adopt, amend and rescind rules and regulations for carrying out the Plan. The Board may, in its absolute discretion, delegate any or all of its responsibilities or powers under the Plan to the Compensation Committee of the Corporation (the “**Compensation Committee**”), in which event all references (as appropriate) to the Board hereunder shall be deemed to refer to the Compensation Committee. Any decision or determination made or action taken unanimously by the Board

(excluding the vote of any Awardholder if he or she is then a member of the Board), or by the Compensation Committee, as the case may be, arising out of or in connection with the interpretation and administration of the Plan shall be, final and conclusive, and the interpretation and construction of any provision of the Plan by unanimous action of the Board (excluding the vote of any Awardholder if he or she is then a member of the Board), or of the Compensation Committee, as the case may be,

shall be final and conclusive. No member of the Board or any Entity acting pursuant to authority delegated by it, including the Investor or any member of the Compensation Committee, shall be liable for any action or determination in connection with the Plan made or taken in good faith, and each member of the Board or of the Compensation Committee and each such Entity and the Investor shall be entitled to indemnification with respect to any such action or determination in the manner provided for by Corporation.”

On and after the date hereof, any reference to “**the Plan**” in the Plan and any reference to the Plan in any other agreements will mean the Plan, as amended by this amendment. Except as specifically amended by this amendment, the provisions of the Plan remain in full force and effect.

EQUITY PARTICIPATION AGREEMENT

Equity Participation Agreement made as of the 22 day of February 2013 between DavidsTea Inc. (“**Corporation**”) and Luis Borgen (“**Awardholder**”).

RECITALS:

- (a) Corporation has adopted an Equity Incentive Plan (the “**Plan**”) which provides for the granting of Options and Restricted Shares to key Employees (all as defined in the Plan) of Corporation;
- (b) Awardholder is an officer of Corporation and will render faithful and efficient service to Corporation in that capacity;
- (c) Corporation desires to continue to receive the benefit of the services of Awardholder and to more fully identify his interest with Corporation’s future and success; and
- (d) Corporation, acting through its Board, approved the granting of Awards to Awardholder upon the terms and conditions hereinafter provided.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1 DEFINED TERMS

Section 1.01 Defined Terms

Unless otherwise defined herein, defined terms shall have the meaning ascribed to such terms in the Plan.

For purposes hereby, “**Cause**” and “**Good Reason**” shall have the meaning set forth in the Executive Employee Agreement dated April 9, 2012 between the Corporation and Awardholder (the “**Employee Agreement**”).

ARTICLE 2 GRANT OF OPTIONS

Section 2.01 Option to Purchase

Corporation hereby grants to Awardholder the number of options set out beside Awardholder’s name in Schedule I attached hereto (“**Options**”) to purchase from Corporation the number of Shares set out beside Awardholder’s name in Schedule I attached hereto (the “**Optioned Shares**”) at a price of \$1.23 per Share (the “**Option Price**”), upon the terms and conditions contained herein and in the Plan. The number of Optioned Shares which may be acquired pursuant to the Options shall be those which vest in accordance with Section 2.03 hereof.

Section 2.02 Basic Term of Options

Unless earlier terminated in accordance with the Plan, the Options shall no longer be exercisable and shall expire on the seventh (7th) anniversary of the date hereof, unless indicated otherwise on Schedule I attached hereto.

Section 2.03 Vesting

- (a) Subject to the remaining provisions of this Agreement, the Options shall vest in accordance with Schedule I attached hereto, and shall be exercisable to the extent this Option has vested.

In addition, the Options shall vest and become exercisable in full immediately prior to the occurrence of a Trigger Event (including a Trigger Event occurring during the 90 day period following the date of termination of Awardholder’s employment by the Corporation without Cause or by the Awardholder for Good Reason).

- (b) Notwithstanding anything to the contrary in the Plan, the right to exercise the Options as to all Optioned Shares that are vested upon termination of Awardholder employment shall terminate on the earlier of (i) the date 12 months after the date of such termination of employment (ii) the expiration date of the Options pursuant to Sections 2.02 above, and (iii) the Exercise Date (as defined in Section 2.08 below).
- (c) Sections 4.3, 7.5 and 9.1 of the Plan shall not apply to the Options or Shares issued upon exercise of the Options.
- (d) The Awardholder shall be entitled to cause the Corporation to hold back Shares to satisfy withholding requirements pursuant to Section 12.4 of the Plan.

Section 2.04 Fair Market Value

Notwithstanding anything to the contrary in the Plan, in the event of a cashless exercise of the Options pursuant to Section 7.4 of the Plan, the fair market value shall be based on an independent valuation done not more than 6 months before such determination by the Board by a qualified independent appraiser.

Section 2.05 Subject to the Plan

Unless otherwise specified or modified herein, the Options are subject in all respects to the provisions of the Plan and compliance by Awardholder or his legal representative (the “**Representative**”) with the terms thereof. A copy of the Plan shall be provided to Awardholder or his Representative upon request from time to time. Awardholder acknowledges having read a copy of the Plan in effect on the date hereof.

Section 2.06 Transferability

Section 2.07 Right of a Shareholder

Awardholder shall have no rights as a shareholder with respect to the Optioned Shares until after (i) payment in full of the Option Price for the Optioned Shares for which the Options are being exercised and (ii) the execution by Awardholder of a counterpart to each of the Agreements (if Awardholder is not already a party thereto) and any other agreement reasonably requested by Corporation in order to ensure that upon issuance of the Optioned Shares to Awardholder that Awardholder be bound by the terms and conditions of each of the Agreements. Awardholder shall have no right as a shareholder with respect to such Optioned Shares until the issuance of such Shares and no adjustment shall be made for dividends or other rights for which the record date is prior to the time such Shares are issued. Corporation shall issue such Optioned Shares so purchased within ten (10) Business Days after the conditions set out in the first sentence of this paragraph have been met and deliver share certificates in respect of such Optioned Shares as soon as practicable thereafter.

Section 2.08 Notice of Exercise of Option

Notwithstanding anything to the contrary in the Plan, Corporation shall notify Awardholder in writing at least ten Business Days prior to the occurrence of a Trigger Event The Options shall be exercised in whole or in part upon Awardholder providing not less than two Business Day notice prior to the Trigger Event (the “Exercise Date”) and any Option not exercised by the Exercise Date shall terminate and expire at the end of the day on the Exercise Date.

Section 2.09 Schedule

Corporation may, from time to time, update Schedule I attached hereto to reflect any change in the number of Options granted, the Option Price or the number of outstanding Options resulting from any expiration or cancellation of Options pursuant to the Plan.

**ARTICLE 3
MISCELLANEOUS**

Section 3.01 Severability

If any provision of this Agreement shall be determined by any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall continue in full force and effect.

Section 3.02 Governing Law

This Agreement and the Options granted hereunder shall be governed by and construed in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF the parties hereto have duly executed this agreement as of the date first above written.

DAVIDSTEA INC.

By: /s/ Hershel Segal
Hershel Segal

By: /s/ Thomas G. Sternberg
Thomas G. Sternberg

/s/ Luis Borgen
LUIS BORGEN

SCHEDULE I

OPTIONS

- Aggregate Number of Options: 195,086
- Number of Shares Issuable Upon the Exercise of Options: 195,086
- Vesting: 25% of the Options shall vest on the first anniversary of the date of the Employment Agreement and the remaining 75% shall vest in equal monthly installment over the 36-month period following the first anniversary of the Employment Agreement; provided that, in the event the Awardholder’s

employment is terminated by the Corporation without Cause or by the Awardholder for Good Reason prior to the first anniversary of the Employment Agreement, 25% of the Options shall become fully vested, with the remainder being terminated.

EQUITY PARTICIPATION AGREEMENT

Equity Participation Agreement made as of the 22nd day of February, 2013 between DavidsTea Inc. ("**Corporation**") and Howard Tafler ("**Awardholder**").

RECITALS:

- (a) Corporation has adopted an Equity Incentive Plan (the "**Plan**") which provides for the granting of Options and Restricted Shares to key Employees (all as defined in the Plan) of Corporation;
- (b) Awardholder is an employee of Corporation and will render faithful and efficient service to Corporation in that capacity;
- (c) Corporation desires to continue to receive the benefit of the services of Awardholder and to more fully identify his interest with Corporation's future and success; and
- (d) Corporation, acting through its Board, approved the granting of Awards to Awardholder upon the terms and conditions hereinafter provided.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

**ARTICLE 1
DEFINED TERMS****Section 1.01 Defined Terms**

Unless otherwise defined herein, defined terms shall have the meaning ascribed to such terms in the Plan.

**ARTICLE 2
GRANT OF OPTIONS****Section 2.01 Option to Purchase**

Corporation hereby grants to Awardholder the number of options set out beside Awardholder's name in Schedule I attached hereto ("**Options**") to purchase from Corporation the number of Shares set out beside Awardholder's name in Schedule I attached hereto (the "**Optioned Shares**") at a price of \$1.23 per Share (the "**Option Price**"), upon the terms and conditions contained herein and in the Plan. The number of Optioned Shares which may be acquired pursuant to the Options shall be those which vest in accordance with Section 2.03 hereof.

Section 2.02 Basic Term of Options

Unless earlier terminated in accordance with the Plan, the Options shall no longer be exercisable and shall expire on the seventh (7th) anniversary of the date hereof, unless indicated otherwise on Schedule I attached hereto.

Section 2.03 Vesting

- (a) Subject to the remaining provisions of this Agreement, the Options shall vest upon the earlier of (i) the respective dates as indicated in Schedule I attached hereto, and (ii) a Trigger Event, and shall be exercisable to the extent this Option has vested.
- (b) The Awardholder shall be entitled to cause the Corporation to hold back Shares to satisfy withholding requirements pursuant to Section 12.4 of the Plan.

Section 2.04 Subject to the Plan

Unless otherwise specified or modified herein, the Options are subject in all respects to the provisions of the Plan and compliance by Awardholder or his legal representative (the "**Representative**") with the terms thereof. A copy of the Plan shall be provided to Awardholder or his Representative upon request from time to time. Awardholder acknowledges having read a copy of the Plan in effect on the date hereof.

Section 2.05 Transferability

The Options shall not be assignable or transferable, except in accordance with the terms of the Plan.

Section 2.06 Right of a Shareholder

Awardholder shall have no rights as a shareholder with respect to the Optioned Shares until after (i) payment in full of the Option Price for the Optioned Shares for which the Options are being exercised and (ii) the execution by Awardholder of a counterpart to each of the Agreements (if Awardholder is not already a party thereto) and any other agreement reasonably requested by Corporation in order to ensure that upon issuance of the Optioned Shares to Awardholder that Awardholder be bound by the terms and conditions of each of the Agreements. Awardholder shall have no right as a shareholder with respect to such Optioned Shares until the issuance of such Shares and no adjustment shall be made for dividends or other rights for which the record date is prior to the time such Shares are issued. Corporation shall issue such Optioned Shares so purchased within ten (10) Business Days after the conditions set out in the first sentence of this paragraph have been met and deliver share certificates in respect of such Optioned Shares as soon as practicable thereafter.

Section 2.07 Notice of Exercise of Option

Notwithstanding anything to the contrary in the Plan, Corporation shall notify Awardholder at least ten Business Days prior to the occurrence of a Trigger Event. The Options shall be exercised in whole or in part upon Awardholder providing not less than three Business Days written notice prior to the Trigger Event (the “Exercise Date”) and any Option not exercised by the Exercise Date shall terminate and expire at the end of the day on the Exercise Date.

Section 2.08 Schedule

Corporation may, from time to time, update Schedule I attached hereto to reflect any change in the number of Options granted, the Option Price or the number of outstanding Options resulting from any expiration or cancellation of Options pursuant to the Plan.

ARTICLE 3 MISCELLANEOUS

Section 3.01 Severability

If any provision of this Agreement shall be determined by any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall continue in full force and effect.

Section 3.02 Governing Law

This Agreement and the Options granted hereunder shall be governed by and construed in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein.

Section 3.03 Language

The parties hereto have expressly required that this Agreement, as well as all documents which relate to it, be drafted in English. *Les parties aux présentes ont expressément requis que cette entente ainsi que tous les documents s’y rattachant soient rédigés en anglais.*

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the parties hereto have duly executed this agreement as of the date first above written.

DAVIDSTEA INC.

By: /s/ Jevin Eagle

Authorized Signing Officer

By: /s/ Kathie Lindemann

Authorized Signing Officer

/s/ Howard Tafler

Howard Tafler

SCHEDULE I OPTIONS

Number of Options Granted to the Awardholder: 25,000

Number of Shares Issuable Upon the Exercise of All Options: 25,000

Vesting: 4 equal consecutive annual installments, the first of which would vest on the first anniversary of the date of this agreement;



EQUITY PARTICIPATION AGREEMENT

Equity Participation Agreement made as of the 25th day of July, 2014 between DavidsTea Inc. (“**Corporation**”) and Marc Macdonald (“**Awardholder**”).

RECITALS:

- (a) Corporation has adopted an Equity Incentive Plan (the “**Plan**”) which provides for the granting of Options and Restricted Shares to key Employees (all as defined in the Plan) of Corporation;
- (b) Awardholder is an employee of Corporation and will render faithful and efficient service to Corporation in that capacity;
- (c) Corporation desires to continue to receive the benefit of the services of Awardholder and to more fully identify his interest with Corporation’s future and success; and
- (d) Corporation, acting through its Board, approved the granting of Awards to Awardholder upon the terms and conditions hereinafter provided.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1 DEFINED TERMS

Section 1.01 Defined Terms

Unless otherwise defined herein, defined terms shall have the meaning ascribed to such terms in the Plan.

ARTICLE 2 GRANT OF OPTIONS

Section 2.01 Option to Purchase

Corporation hereby grants to Awardholder the number of options set out beside Awardholder’s name in Schedule I attached hereto (“**Options**”) to purchase from Corporation the number of Shares set out beside Awardholder’s name in Schedule I attached hereto (the “**Optioned Shares**”) at a price of \$6.80 per Share (the “**Option Price**”), upon the terms and conditions contained herein and in the Plan. The number of Optioned Shares which may be acquired pursuant to the Options shall be those which vest in accordance with Section 2.03 hereof.

5430 Ferrier, Mont-Royal, Québec, H4P 1M2 • tél : 514-739-0006 • fax : 514-739-0200 • www.davidstea.com

Section 2.02 Basic Term of Options

Unless earlier terminated in accordance with the Plan, the Options shall no longer be exercisable and shall expire on the seventh (7th) anniversary of the date hereof, unless indicated otherwise on Schedule I attached hereto.

Section 2.03 Vesting

- (a) Subject to the remaining provisions of this Agreement, the Options shall vest upon the earlier of (i) the respective dates as indicated in Schedule I attached hereto, and (ii) a Trigger Event, and shall be exercisable to the extent this Option has vested.
- (b) The Awardholder shall be entitled to cause the Corporation to hold back Shares to satisfy withholding requirements pursuant to Section 12.4 of the Plan.

Section 2.04 Subject to the Plan

Unless otherwise specified or modified herein, the Options are subject in all respects to the provisions of the Plan and compliance by Awardholder or his legal representative (the “**Representative**”) with the terms thereof. A copy of the Plan shall be provided to Awardholder or his Representative upon request from time to time. Awardholder acknowledges having read a copy of the Plan in effect on the date hereof.

Section 2.05 Transferability

The Options shall not be assignable or transferable, except in accordance with the terms of the Plan.

Section 2.06 Right of a Shareholder

Awardholder shall have no rights as a shareholder with respect to the Optioned Shares until after (i) payment in full of the Option Price for the Optioned Shares for which the Options are being exercised and (ii) the execution by Awardholder of a counterpart to each of the Agreements (if Awardholder is not already a party thereto) and any other agreement reasonably requested by Corporation in order to ensure that upon issuance of the Optioned Shares to Awardholder that

Awardholder be bound by the terms and conditions of each of the Agreements. Awardholder shall have no right as a shareholder with respect to such Optioned Shares until the issuance of such Shares and no adjustment shall be made for dividends or other rights for which the record date is prior to the time such Shares are issued. Corporation shall issue such Optioned Shares so purchased within ten (10) Business Days after the conditions set out in the first sentence of this paragraph have been met and deliver share certificates in respect of such Optioned Shares as soon as practicable thereafter.

Section 2.07 Notice of Exercise of Option

Notwithstanding anything to the contrary in the Plan, Corporation shall notify Awardholder at least ten Business Days prior to the occurrence of a Trigger Event. The Options shall be exercised in whole or in part upon Awardholder providing not less than three Business Days written notice prior to the Trigger Event (the “**Exercise Date**”) and any Option not exercised by the Exercise Date shall terminate and expire at the end of the day on the Exercise Date.

Section 2.08 Schedule

Corporation may, from time to time, update Schedule I attached hereto to reflect any change in the number of Options granted, the Option Price or the number of outstanding Options resulting from any expiration or cancellation of Options pursuant to the Plan.

**ARTICLE 3
MISCELLANEOUS**

Section 3.01 Severability

If any provision of this Agreement shall be determined by any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall continue in full force and effect.

Section 3.02 Governing Law

This Agreement and the Options granted hereunder shall be governed by and construed in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein.

Section 3.03 Language

The parties hereto have expressly required that this Agreement, as well as all documents which relate to it, be drafted in English. *Les parties aux présentes ont expressément requis que cette entente ainsi que tous les documents s’y rattachant soient rédigés en anglais.*

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the parties hereto have duly executed this agreement as of the date first above written.

DAVIDSTEA INC.

By: /s/ Sylvain Toutant
Authorized Signing Officer

By: /s/Howard Tafler
Authorized Signing Officer

/s/ Marc Macdonald
Marc Macdonald

SCHEDULE I

OPTIONS

Number of Options Granted to the Awardholder: 25,000

Number of Shares Issuable Upon the Exercise of All Options: 25,000

Vesting: 4 equal consecutive annual installments, the first of which would vest on the first anniversary of the vesting date;

Vesting date: July 28, 2014

EQUITY PARTICIPATION AGREEMENT

Equity Participation Agreement made as of the 9th day of October, 2014 between DavidsTea Inc. (“**Corporation**”) and Edmund Noonan (“**Awardholder**”).

RECITALS:

- (a) Corporation has adopted an Equity Incentive Plan (the “**Plan**”) which provides for the granting of Options and Restricted Shares to key Employees (all as defined in the Plan) of Corporation;
- (b) Awardholder is an employee of Corporation and will render faithful and efficient service to Corporation in that capacity;
- (c) Corporation desires to continue to receive the benefit of the services of Awardholder and to more fully identify his interest with Corporation’s future and success; and
- (d) Corporation, acting through its Board, approved the granting of Awards to Awardholder upon the terms and conditions hereinafter provided.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1 DEFINED TERMS

Section 1.01. Defined Terms

Unless otherwise defined herein, defined terms shall have the meaning ascribed to such terms in the Plan.

ARTICLE 2 GRANT OF OPTIONS

Section 2.01. Option to Purchase

Corporation hereby grants to Awardholder the number of options set out beside Awardholder’s name in Schedule I attached hereto (“**Options**”) to purchase from Corporation the number of Shares set out beside Awardholder’s name in Schedule I attached hereto (the “**Optioned Shares**”) at a price of \$6.89 per Share (the “**Option Price**”), upon the terms and conditions contained herein and in the Plan. The number of Optioned Shares which may be acquired pursuant to the Options shall be those which vest in accordance with Section 2.03 hereof.

Section 2.02. Basic Term of Options

Unless earlier terminated in accordance with the Plan, the Options shall no longer be exercisable and shall expire on the seventh (7th) anniversary of the date hereof, unless indicated otherwise on Schedule I attached hereto.

Section 2.03. Vesting

(a) Subject to the remaining provisions of this Agreement, the Options shall vest upon the earlier of (i) the respective dates as indicated in Schedule I attached hereto, and (ii) a Trigger Event, and shall be exercisable to the extent this Option has vested.

(b) The Awardholder shall be entitled to cause the Corporation to hold back Shares to satisfy withholding requirements pursuant to Section 12.4 of the Plan.

Section 2.04. Subject to the Plan

Unless otherwise specified or modified herein, the Options are subject in all respects to the provisions of the Plan and compliance by Awardholder or his legal representative (the “**Representative**”) with the terms thereof. A copy of the Plan shall be provided to Awardholder or his Representative upon request from time to time. Awardholder acknowledges having read a copy of the Plan in effect on the date hereof.

Section 2.05. Transferability

The Options shall not be assignable or transferable, except in accordance with the terms of the Plan.

Section 2.06. Section 2.06 Right of a Shareholder

Awardholder shall have no rights as a shareholder with respect to the Optioned Shares until after (i) payment in full of the Option Price for the Optioned Shares for which the Options are being exercised and (ii) the execution by Awardholder of a counterpart to each of the Agreements (if Awardholder is not already a party thereto) and any other agreement reasonably requested by Corporation in order to ensure that upon issuance of the Optioned Shares to Awardholder that Awardholder be bound by the terms and conditions of each of the Agreements. Awardholder shall have no right as a shareholder with respect to such Optioned Shares until the issuance of such Shares and no adjustment shall be made for dividends or other rights for which the record date is prior to the time such Shares are issued. Corporation shall issue such Optioned Shares so purchased within ten (10) Business Days after the conditions set out in the first sentence of this paragraph have been met and deliver share certificates in respect of such Optioned Shares as soon as practicable thereafter.

Section 2.07. Notice of Exercise of Option

Notwithstanding anything to the contrary in the Plan, Corporation shall notify Awardholder at least ten Business Days prior to the occurrence of a Trigger Event. The Options shall be exercised in whole or in part upon Awardholder providing not less than three Business Days written notice prior to the Trigger Event (the “Exercise Date”) and any Option not exercised by the Exercise Date shall terminate and expire at the end of the day on the Exercise Date.

Section 2.08. Schedule

Corporation may, from time to time, update Schedule I attached hereto to reflect any change in the number of Options granted, the Option Price or the number of outstanding Options resulting from any expiration or cancellation of Options pursuant to the Plan.

**ARTICLE 3
MISCELLANEOUS**

Section 3.01. Severability

If any provision of this Agreement shall be determined by any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall continue in full force and effect.

Section 3.02. Governing Law

This Agreement and the Options granted hereunder shall be governed by and construed in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein.

Section 3.03. Language

The parties hereto have expressly required that this Agreement, as well as all documents which relate to it, be drafted in English. Les parties aux présentes ont expressément requis que cette entente ainsi que tous les documents s’y rattachant soient rédigés en anglais.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the parties hereto have duly executed this agreement as of the date first above written.

DAVIDSTEA INC.

By: /s/ Authorized Person
Authorized Signing Officer

By: /s/ Howard Tafler
Authorized Signing Officer

/s/ Edmund Noonan
Edmund Noonan

SCHEDULE I

OPTIONS

Number of Options Granted to the Awardholder: 25,000

Number of Shares Issuable Upon the Exercise of All Options: 25,000

Vesting: 4 equal consecutive annual installments, the first of which would vest on the first anniversary of the date of this agreement;

SHARE SUBSCRIPTION AGREEMENT

Share Subscription Agreement dated February 24, 2014 between Capital GVR Inc. (the “**Investor**”), Pierre Michaud and DAVIDsTEA Inc. (the “**Corporation**”).

WHEREAS as of the date hereof, the authorized capital of the Corporation consists of (i) an unlimited number of Common Shares, (ii) 2,000,000 Class AA Common Shares and (iii) an unlimited number of Preferred Shares, issuable in series, of which the currently existing series consist of an authorized number of (a) 7,441,341 Junior Preferred Shares, (b) 4,003,724 Series A Preferred Shares and (c) 681,073 Series A-1 Preferred Shares (the “**Series A-1 Preferred Shares**”);

AND WHEREAS the Investor has agreed to subscribe for and purchase from the Corporation, on the Closing Date, 110,498 Series A-1 Preferred Shares (the “**Purchased Shares**”) on the terms and conditions set forth herein and the Corporation wishes to accept said subscription (the “**Subscription**”).

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1 **INTERPRETATION**

1.1 Definitions

As used in this Agreement, the following capitalized terms and expressions have the following meanings unless the context otherwise requires:

- (a) “**Agreement**” means this subscription agreement and all instruments that amend or confirm this share subscription agreement; and the expressions “**Article**” and “**Section**” followed by a number mean and refer to the specified Article or Section of this Agreement.
 - (b) “**Applicable Securities Laws**” means all applicable securities laws in Canada, including statutes, rules, regulations, by-laws, policies, guidelines, orders, decisions, rulings and awards.
 - (c) “**Business Day**” means any day, excluding Saturday, Sunday and any other day which in Montréal, Province of Quebec, is a legal holiday or a day on which governmental and quasi-governmental entities are authorized by law or by local proclamation to close.
 - (d) “**Closing**” means the completion of the Subscription.
 - (e) “**Closing Date**” means February 24, 2014.
 - (f) “**Common Shares**” means the Common Shares of the Corporation.
 - (g) “**Corporation**” has the meaning set out in the recitals of this Agreement.
-
- (h) “**Damages**” means any and all losses, liabilities, damages, claims or expenses (whether or not involving a third-party claim) including reasonable legal expenses actually suffered or incurred by either Party, provided, however, that notwithstanding the foregoing, “**Damages**” shall not include any consequential, exemplary or punitive damages or any diminution in value.
 - (i) “**Equity Plan**” means the Amended and Restated Equity Incentive Plan adopted by the Corporation on April 3, 2012, as amended on February 24, 2014 and as further amended from time to time.
 - (j) “**Governmental Authority**” means any (i) multinational, federal, provincial, state, municipal, local or other governmental or public department, central bank, court, arbitral body with legal jurisdiction, commission, board, bureau, agency, ministry or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the foregoing or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.
 - (k) “**Investor**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (l) “**Investors Rights Agreement**” means that certain Investors’ Rights Agreement, dated April 3, 2012, by and among the Corporation and the shareholders of the Corporation party thereto, as amended from time to time.
 - (m) “**Junior Preferred Shares**” means the Junior Preferred Shares of the Corporation.
 - (n) “**Material Adverse Effect**” means a materially adverse effect on (i) the business, operations, prospects, financial condition or liabilities (contingent or otherwise) of the Corporation on a consolidated basis, (ii) the ability of the Corporation on a consolidated basis to perform its obligations under this Agreement or (iii) the rights or benefits available to the Investor under this Agreement.
 - (o) “**Organizational Documents**” means, with respect to each of the Corporation and the Subsidiary, its certificate of incorporation, its by-laws, its partnership agreement, its memorandum and articles of association, articles of incorporation, continuation or amalgamation, share designations or similar organizational documents and all shareholder agreements, voting trusts and similar arrangements applicable to the Corporation or its Subsidiary.
 - (p) “**Parties**” means, collectively, the Investor and the Corporation and “**Party**” means any of them.
 - (q) “**Purchased Shares**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (r) “**Series A Preferred Shares**” means the Series A Preferred Shares of the Corporation.

(s) “**Series A-1 Preferred Shares**” means the Series A-1 Preferred Shares of the Corporation.

(t) “**Subscription**” has the meaning set out in the recitals at the beginning of this Agreement.

(u) “**Subsidiary**” means DAVIDsTEA (USA) Inc.

1.2 Gender and Number

Any reference in this Agreement to gender includes all genders (including neuter) and words denoting the singular number only shall include the plural and vice versa.

1.3 Headings, Etc.

The provision of a table of contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and shall not affect the interpretation of this Agreement.

1.4 Certain Expressions, Etc.

In this Agreement, (i) the words “**includes**”, “**including**” and similar expressions mean “**include (or including) without limitation**”, and (ii) the phrases “**the aggregate of**”, the “**total of**”, the “**sum of**” and similar expressions mean the “**aggregate (or total or sum), without duplication, of**”.

1.5 Currency

All references in this Agreement to “**dollars**” or to “**\$**” are expressed in lawful money of Canada, unless otherwise specifically indicated.

1.6 Legal Representation; No Presumption against any Party

Each Party acknowledges that it has been represented by counsel or has been given the opportunity to obtain counsel in connection with the negotiation and execution of this Agreement and that the terms of this Agreement have been negotiated by it. Any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement, against the Party that drafted it has no application and any such right is expressly waived by each Party.

1.7 Day Not a Business Day, Calculation of Delays

If an action is required to be taken hereunder no later than a day which is not a Business Day, then such action shall instead be required to be taken no later than the next succeeding Business Day.

If any action may be taken within, or any right or obligation is to expire at the end of, a period of days under this Agreement, then the day which is the reference day in calculating such period shall be excluded.

1.8 Recitals

The recitals herein shall form an integral part hereof.

ARTICLE 2

SECURITIES SUBSCRIPTION TERMS

2.1 Subscription

Subject to the terms of this Agreement, the Corporation agrees to issue to the Investor, and the Investor hereby agrees to subscribe for 110,498 Series A-1 Preferred Shares, for a subscription price of \$9.05 per share payable in cash on the Closing Date.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

3.1 Representations and Warranties of the Corporation

The Corporation does hereby represent and warrant to the Investor as follows, and acknowledges and confirms that the Investor is relying on such representations and warranties, notwithstanding any investigation by the Investor:

(a) **Existence.** Each of the Corporation and the Subsidiary is a corporation duly incorporated and validly existing and in good standing under the laws of its jurisdiction of incorporation and of all jurisdictions in which it carries on business and is in compliance with all provisions of its Organizational Documents and each of the Corporation and the Subsidiary has all requisite power and authority to own its property and to carry on its business as now being and hereafter proposed to be conducted.

(b) **Capitalization.** The authorized and issued share capital of the Company consists, immediately prior to the Closing, of:

(i) 2,000,000 Class AA Common Shares, none of which are issued and outstanding immediately prior to the Closing;

- (ii) an unlimited number of Common Shares, of which 32,514 Common Shares are issued and outstanding immediately prior to the Closing, and with respect to which options to purchase an aggregate amount of 1,240,402 Common Shares are currently issued and outstanding; and
 - (iii) (A) 7,441,341 Junior Preferred Shares, all of which are issued and outstanding, (B) 4,003,724 Series A Preferred Shares, all of which are issued and outstanding and (C) 681,073 Series A-1 Preferred Shares, none of which are issued and outstanding immediately prior to the Closing.
- (c) **Authorization of this Agreement by the Corporation.** The Corporation has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by duly authorized officers of the Corporation. The obligations of the Corporation under this Agreement constitute legal, valid and binding obligations of the Corporation. The Corporation has obtained all

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requisite consents and approvals in order to effect the transactions contemplated in this Agreement.

- (d) **Valid Issuance of the Purchased Shares.** The Purchased Shares, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be validly issued, fully paid and non-assessable Series A-1 Preferred Shares of the Corporation, free and clear of all liens. The Common Shares issuable upon conversion of the Purchased Shares, have been duly authorized and reserved for issuance and, upon issuance in accordance with the terms of the Organizational Documents, will be validly issued, fully paid and non-assessable, free and clear of all liens.
- (e) **No Other Agreements to Purchase.** Except for the Investor's right under this Agreement and except for (i) the other Series A-1 Preferred Shares to be issued to each of Rainy Day Investments Ltd. ("**Rainy Day**"), Highland Consumer Fund I Limited Partnership, Highland Consumer Fund I-B Limited Partnership and Highland Consumer Entrepreneurs Fund I Limited Partnership (collectively, "**Highland**"), as of the date hereof, (ii) any other Series A-1 Preferred Shares that may be issued to Tom Folliard, subject to the prior written consent of Highland and Rainy Day (which consent is at the sole discretion of each such shareholder), and to each of Rainy Day and Highland, if and to the extent that either or both such shareholders exercise their respective right of first offer pursuant to the Investors Rights Agreement, (iii) the Common Shares issuable upon the exercise of options or the issuance of restricted shares under the Equity Plan and (iv) any options or shares that may be issued to Mogey Inc. ("**Mogey**") pursuant to any settlement related to Mogey's claim against the Corporation, no person has any written or oral agreement, option or warrant or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming such for the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Corporation.
- (f) **Financial Statements.** The audited financial statements as of December 31, 2012 of the Corporation have been prepared in accordance with generally accepted accounting principles and fairly present in all material respects the financial condition and operating results of the Corporation as of such date, and for the period, indicated therein.
- (g) **No Conflict.** The execution, delivery and performance by the Corporation of this Agreement, in accordance with its terms, and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the Organizational Documents of the Corporation, (ii) violate any provision of law applicable to the Corporation, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party or by which any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, could not reasonably be expected to have a Material Adverse Effect.
- (h) **Government Regulation.** No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Governmental Authority is required on the part of the Corporation in connection with the consummation of the transactions contemplated by this Agreement, except for filings pursuant to Applicable Securities Laws, which have been made or will be made in a timely manner.

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- (i) **Compliance with Law.** Each of the Corporation and the Subsidiary is in compliance with all laws and regulations applicable to it and to its business and assets, the non-compliance with which, could, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect.
- (j) **Litigation.** There is no notice of infraction, action, suit or proceeding pending against (nor, to the knowledge of the Corporation, threatened against or in any other manner relating adversely to) the Corporation, the Subsidiary or any of their respective property in any court or before any arbitrator of any kind or before or by any Governmental Authority which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

4.1 Representations and Warranties of the Investor

The Investor does hereby represent and warrant to the Corporation as follows, and acknowledges and confirms that the Corporation is relying on such representations and warranties, notwithstanding any investigation by the Corporation:

- (a) **Ownership.** Pierre Michaud is and will be the sole beneficial and registered owner of all the issued and outstanding shares of the Investor as long as the Investor holds any shares of the Corporation.
- (b) **Authorization of this Agreement by the Investor.** The Investor has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by the authorized officers of the Investor. The obligations of the Investor under this Agreement constitute legal, valid and binding obligations of the Investor.
- (c) **No Conflict.** The execution, delivery and performance by the Investor of this Agreement in accordance with its terms and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the Organizational Documents of the Investor, (ii) violate any provision of law applicable to the Investor, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party

or by which it or any of its property may be bound, except, in the case of (ii) and (iii) for any such breach or default which, individually or in the aggregate, are not material.

(d) **Acknowledgement.**

- (i) The Investor understands that (i) the issuance of the Purchased Shares by the Corporation is intended to be exempt from the prospectus and registration requirements of the Applicable Securities Laws, and (ii) there is no existing public or other market for the Purchased Shares.

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- (ii) Solely for establishing that the offer, sale and issuance of the Purchased Shares pursuant to this Agreement are exempt from the registration requirements of the Applicable Securities Laws:
- A. the Investor understands that the Purchased Shares will be issued in a transaction exempt from the prospectus and registration requirements of the Applicable Securities Laws and that such securities may not be resold by the Investor in Canada except in compliance with such registration and prospectus requirements or subject to exemptions from such requirements;
 - B. the Investor is aware that the Corporation is under no obligation to effect any such registration or file any registration with respect to the Purchased Shares (except solely to the extent, if, any, provided in the Investors Rights Agreement), to file a prospectus or to file for or comply with any exemption from such requirements;
 - C. the Investor is purchasing the Purchased Shares to be acquired by the Investor hereunder for its own account and not with a view to, or for resale in connection with, the distribution thereof in violation of the Applicable Securities Laws; and
 - D. the Investor is an Accredited Investor within the meaning of the National Instrument 45-106 Prospectus and Registration Exemptions and Regulations 45-106 respecting the Prospectus and Registration Exemptions in the Province of Quebec.

ARTICLE 5
INDEMNIFICATION

5.1 Indemnification by the Corporation in Favor of the Investor

The Corporation shall indemnify and save the Investor harmless from and against any Damages suffered by, imposed upon or asserted against the Investor, as a result of, in respect of, connected with, or arising out of, under or pursuant to:

- (a) any failure of the Corporation to perform or fulfill any of its covenants or agreements under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Corporation under Article 3.

5.2 Indemnification by the Investor in Favor of the Corporation

The Investor shall indemnify and save the Corporation harmless from and against any Damages suffered by, imposed upon or asserted against the Corporation, as a result of, in respect of, or arising out of, under or pursuant to:

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- (a) any failure of the Investor to perform or fulfill any covenant or agreements of the investor under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Investor under Article 4.

5.3 Time Limitations

- (a) The representations and warranties of the Corporation contained in this Agreement shall survive Closing and notwithstanding Closing and any investigation made by or on behalf of the Investor, shall survive Closing and continue in full force and effect without limitation of time.
- (b) The representations and warranties of the Investor contained in this Agreement shall survive Closing and, notwithstanding Closing and any investigation made by or on behalf of the Corporation, shall survive Closing and continue in full force and effect without limitation of time.

ARTICLE 6
MISCELLANEOUS

6.1 Further Assurances

From time to time after the Closing Date, each Party shall, at the request of any other Party, execute and deliver such additional conveyances, transfers and other assurances and do all such other acts or things as may be reasonably required to effectively carry out the purposes and intent of this Agreement.

6.2 Notices

All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed given if delivered personally, telecopied, sent by a Canadian nationally-recognized overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the Parties at the addresses set forth below or to such other address as the Party to whom notice is to be given may have furnished to the other Parties in writing in accordance with this Section 6.2. Any such notice or communication shall be deemed to have been delivered and received (a) in the case of personal delivery, on the date of such delivery, if such date is a Business Day, (b) in the case of telecopier, on the date sent if confirmation of receipt is received prior to 5:00 p.m. on that day and, if such date is a Business Day, (c) in the case of such a nationally-recognized overnight courier in circumstances under which such courier guarantees next Business

(i) If to the Investor at:

3434 Peel Street
Montréal QC
H3A 3K8

Attention: Pierre Michaud
Facsimile:

(ii) If to the Corporation:

5430 Ferrier
Town of Mount Royal QC
H4P 1M2

Attention: Chief Executive Officer
Facsimile: (514) 739-0200

6.3 Time of the Essence

Time is of the essence of this Agreement.

6.4 Amendments

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by the Investor and the Corporation.

6.5 Waiver

No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) or a future waiver of the same provisions, nor shall such waiver be binding unless executed in writing by the Party to be bound by the waiver.

No failure on the part of any Party to exercise, and no delay in exercising any right under this Agreement shall operate as a waiver of such right, nor shall any single or partial exercise of any such right preclude any other or further exercise of such right or the exercise of any other right.

6.6 Entire Agreement

Except for the Confidentiality and Non-Disclosure Agreement between the Pierre Michaud and the Corporation dated January 16, 2014, this Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties.

6.7 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights or obligations under this Agreement shall be assignable or transferable by any of the Parties without the prior written consent of the other and any purported assignment or delegation in violation hereof shall be null and void.

6.8 Severability

If any provision of this Agreement is determined by an arbitrator or any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall continue in full force and effect.

6.9 Governing Law

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Quebec and the federal laws of Canada applicable therein. Each Party hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the Province of Quebec.

6.10 Counterparts

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument.

6.11 Language

The Parties confirm that they have agreed that this Agreement and any other agreements and documents in relation thereto, be drafted in English only. Les parties aux présentes confirment qu'elles ont accepté que la présente convention et toute autre convention et autre document s'y rapportant soit rédigés en anglais seulement.

SIGNED as of the date of this Agreement

DAVIDSTEA INC

Per:

/s/ Jevin Eagle

Name: Jevin Eagle

Title: CEO

CAPITAL GVR INC.

Per:

/s/ Pierre Michaud

Name: Pierre Michaud

Title:

/s/ Pierre Michaud

PIERRE MICHAUD

SHARE SUBSCRIPTION AGREEMENT

Share Subscription Agreement dated February 24, 2014 between Rainy Day Investments Ltd. (the “**Investor**”) and DAVIDsTEA Inc. (the “**Corporation**”).

WHEREAS as of the date hereof, the authorized capital of the Corporation consists of (i) an unlimited number of Common Shares, (ii) 2,000,000 Class AA Common Shares and (iii) an unlimited number of Preferred Shares, issuable in series, of which the currently existing series consist of an authorized number of (a) 7,441,341 Junior Preferred Shares, (b) 4,003,724 Series A Preferred Shares and 681,073 Series A-1 Preferred Shares (the “**Series A-1 Preferred Shares**”);

AND WHEREAS the Investor has agreed to subscribe for and purchase from the Corporation, on the Closing Date, 258,836 Series A-1 Preferred Shares (the “**Purchased Shares**”) on the terms and conditions set forth herein and the Corporation wishes to accept said subscription (the “**Subscription**”).

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1 **INTERPRETATION**

1.1 Definitions

As used in this Agreement, the following capitalized terms and expressions have the following meanings unless the context otherwise requires:

- (a) “**Agreement**” means this subscription agreement and all instruments that amend or confirm this share subscription agreement; and the expressions “**Article**” and “**Section**” followed by a number mean and refer to the specified Article or Section of this Agreement.
 - (b) “**Applicable Securities Laws**” means all applicable securities laws in Canada, including statutes, rules, regulations, by-laws, policies, guidelines, orders, decisions, rulings and awards.
 - (c) “**Business Day**” means any day, excluding Saturday, Sunday and any other day which in Montreal, Province of Quebec, is a legal holiday or a day on which governmental and quasi-governmental entities are authorized by law or by local proclamation to close.
 - (d) “**Closing**” means the completion of the Subscription.
 - (e) “**Closing Date**” means February 24, 2014.
 - (f) “**Common Shares**” means the Common Shares of the Corporation.
 - (g) “**Corporation**” has the meaning set out in the recitals of this Agreement.
-
- (h) “**Damages**” means any and all losses, liabilities, damages, claims or expenses (whether or not involving a third-party claim) including reasonable legal expenses actually suffered or incurred by either Party, provided, however, that notwithstanding the foregoing, “**Damages**” shall not include any consequential, exemplary or punitive damages or any diminution in value.
 - (i) “**Equity Plan**” means the Amended and Restated Equity Incentive Plan adopted by the Corporation on April 3, 2012, as amended on February 24, 2014 and as further amended from time to time.
 - (j) “**Governmental Authority**” means any (i) multinational, federal, provincial, state, municipal, local or other governmental or public department, central bank, court, arbitral body with legal jurisdiction, commission, board, bureau, agency, ministry or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the foregoing or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.
 - (k) “**Investor**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (l) “**Investors Rights Agreement**” means that certain Investors’ Rights Agreement, dated April 3, 2012, by and among the Corporation and the shareholders of the Corporation party thereto, as amended from time to time.
 - (m) “**Junior Preferred Shares**” means the Junior Preferred Shares of the Corporation.
 - (n) “**Material Adverse Effect**” means a materially adverse effect on (i) the business, operations, prospects, financial condition or liabilities (contingent or otherwise) of the Corporation on a consolidated basis, (ii) the ability of the Corporation on a consolidated basis to perform its obligations under this Agreement or (iii) the rights or benefits available to the Investor under this Agreement.
 - (o) “**Organizational Documents**” means, with respect to each of the Corporation and the Subsidiary, its certificate of incorporation, its by-laws, its partnership agreement, its memorandum and articles of association, articles of incorporation, continuation or amalgamation, share designations or similar organizational documents and all shareholder agreements, voting trusts and similar arrangements applicable to the Corporation or its Subsidiary.
 - (p) “**Parties**” means, collectively, the Investor and the Corporation and “**Party**” means any of them.
 - (q) “**Purchased Shares**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (r) “**Series A Preferred Shares**” means the Series A Preferred Shares of the Corporation.

(s) “Series A-l Preferred Shares” means the Series A-l Preferred Shares of the Corporation.

(t) “Subscription” has the meaning set out in the recitals at the beginning of this Agreement.

(u) “Subsidiary” means DAVIDsTEA (USA) Inc.

1.2 Gender and Number

Any reference in this Agreement to gender includes all genders (including neuter) and words denoting the singular number only shall include the plural and *vice versa*.

1.3 Headings, Etc.

The provision of a table of contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and shall not affect the interpretation of this Agreement.

1.4 Certain Expressions, Etc.

In this Agreement, (i) the words “includes”, “including” and similar expressions mean “include (or including) without limitation”, and (ii) the phrases “the aggregate of”, the “total of”, the “sum of” and similar expressions mean the “aggregate (or total or sum), without duplication, of”.

1.5 Currency

All references in this Agreement to “dollars” or to “\$” are expressed in lawful money of Canada, unless otherwise specifically indicated.

1.6 Legal Representation; No Presumption against any Party

Each Party acknowledges that it has been represented by counsel or has been given the opportunity to obtain counsel in connection with the negotiation and execution of this Agreement and that the terms of this Agreement have been negotiated by it. Any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement, against the Party that drafted it has no application and any such right is expressly waived by each Party.

1.7 Day Not a Business Day, Calculation of Delays

If an action is required to be taken hereunder no later than a day which is not a Business Day, then such action shall instead be required to be taken no later than the next succeeding Business Day.

If any action may be taken within, or any right or obligation is to expire at the end of, a period of days under this Agreement, then the day which is the reference day in calculating such period shall be excluded.

1.8 Recitals

The recitals herein shall form an integral part hereof.

ARTICLE 2 SECURITIES SUBSCRIPTION TERMS

2.1 Subscription

Subject to the terms of this Agreement, the Corporation agrees to issue to the Investor, and the Investor hereby agrees to subscribe for 258,836 Series A-l Preferred Shares, for a subscription price of \$9.05 per share payable, on the Closing Date, by a partial reduction of the debt by an amount of \$2,342,466 under the loan agreement entered into between the Corporation and the Investor on April 3, 2012 (the “Loan Agreement”). The Corporation acknowledges that the remaining debt remains payable in accordance with the terms of the Loan Agreement.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

3.1 Representations and Warranties of the Corporation

The Corporation does hereby represent and warrant to the Investor as follows, and acknowledges and confirms that the Investor is relying on such representations and warranties, notwithstanding any investigation by the Investor:

(a) **Existence.** Each of the Corporation and the Subsidiary is a corporation duly incorporated and validly existing and in good standing under the laws of its jurisdiction of incorporation and of all jurisdictions in which it carries on business and is in compliance with all provisions of its Organizational Documents and each of the Corporation and the Subsidiary has all requisite power and authority to own its property and to carry on its business as now being and hereafter proposed to be conducted.

(b) **Capitalization.** The authorized and issued share capital of the Company consists, immediately prior to the Closing, of:

(i) 2,000,000 Class AA Common Shares, none of which are issued and outstanding immediately prior to the Closing;

- (ii) an unlimited number of Common Shares, of which 32,514 Common Shares are issued and outstanding immediately prior to the Closing, and with respect to which options to purchase an aggregate amount of 1,240,402 Common Shares are currently issued and outstanding; and
 - (iii) (A) 7,441,341 Junior Preferred Shares, all of which are issued and outstanding, (B) 4,003,724 Series A Preferred Shares, all of which are issued and outstanding and (C) 681,073 Series A-1 Preferred Shares, none of which are issued and outstanding immediately prior to the Closing.
- (c) **Authorization of this Agreement by the Corporation.** The Corporation has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by duly authorized officers of the

Corporation. The obligations of the Corporation under this Agreement constitute legal, valid and binding obligations of the Corporation. The Corporation has obtained all requisite consents and approvals in order to effect the transactions contemplated in this Agreement.

- (d) **Valid Issuance of the Purchased Shares.** The Purchased Shares, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be validly issued, fully paid and non-assessable Series A-1 Preferred Shares of the Corporation, free and clear of all liens. The Common Shares issuable upon conversion of the Purchased Shares, have been duly authorized and reserved for issuance and, upon issuance in accordance with the terms of the Organizational Documents, will be validly issued, fully paid and non-assessable, free and clear of all liens.
- (e) **No Other Agreements to Purchase.** Except for the Investor's right under this Agreement and except for (i) the other Series A-1 Preferred Shares to be issued to each of Highland Consumer Fund I Limited Partnership, Highland Consumer Fund I-B Limited Partnership and Highland Consumer Entrepreneurs Fund I Limited Partnership (collectively, "**Highland**") and Capital GVR Inc., as of the date hereof, (ii) any other Series A-1 Preferred Shares that may be issued to Tom Folliard, subject to the prior written consent of Highland and the Investor (which consent is at the sole discretion of each such shareholder), and to each of Highland and the Investor, if and to the extent that either or both of such shareholders exercise their respective right of first offer pursuant to the Investors Rights Agreement, (iii) the Common Shares issuable upon the exercise of options or the issuance of restricted shares under the Equity Plan and (iv) any options or shares that may be issued to Mogey Inc. ("**Mogey**") pursuant to any settlement related to Mogey's claim against the Corporation, no person has any written or oral agreement, option or warrant or any right or privilege (whether by law, preemptive or contractual) capable of becoming such for the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Corporation.
- (f) **Financial Statements.** The audited financial statements as of December 31, 2012 of the Corporation have been prepared in accordance with generally accepted accounting principles and fairly present in all material respects the financial condition and operating results of the Corporation as of such date, and for the period, indicated therein.
- (g) **No Conflict.** The execution, delivery and performance by the Corporation of this Agreement, in accordance with its terms, and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the Organizational Documents of the Corporation, (ii) violate any provision of law applicable to the Corporation, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party or by which any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, could not reasonably be expected to have a Material Adverse Effect.
- (h) **Government Regulation.** No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Governmental Authority is required on the part of the Corporation in connection with the consummation

of the transactions contemplated by this Agreement, except for filings pursuant to Applicable Securities Laws, which have been made or will be made in a timely manner.

- (i) **Compliance with Law.** Each of the Corporation and the Subsidiary is in compliance with all laws and regulations applicable to it and to its business and assets, the non-compliance with which, could, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect.
- (j) **Litigation.** There is no notice of infraction, action, suit or proceeding pending against (nor, to the knowledge of the Corporation, threatened against or in any other manner relating adversely to) the Corporation, the Subsidiary or any of their respective property in any court or before any arbitrator of any kind or before or by any Governmental Authority which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

4.1 Representations and Warranties of the Investor

The Investor does hereby represent and warrant to the Corporation as follows, and acknowledges and confirms that the Corporation is relying on such representations and warranties, notwithstanding any investigation by the Corporation:

- (a) **Authorization of this Agreement by the Investor.** The Investor has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by the authorized officers of the Investor. The obligations of the Investor under this Agreement constitute legal, valid and binding obligations of the Investor.
- (b) **No Conflict.** The execution, delivery and performance by the Investor of this Agreement in accordance with its terms and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the Organizational Documents of the Investor, (ii) violate any provision of law applicable to the Investor, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party

or by which it or any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, individually or in the aggregate, are not material.

(c) **Acknowledgement.**

- (i) The Investor understands that (i) the issuance of the Purchased Shares by the Corporation is intended to be exempt from the prospectus and registration requirements of the Applicable Securities Laws, and (ii) there is no existing public or other market for the Purchased Shares.

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- (ii) Solely for establishing that the offer, sale and issuance of the Purchased Shares pursuant to this Agreement are exempt from the registration requirements of the Applicable Securities Laws:
- A. the Investor understands that the Purchased Shares will be issued in a transaction exempt from the prospectus and registration requirements of the Applicable Securities Laws and that such securities may not be resold by the Investor in Canada except in compliance with such registration and prospectus requirements or subject to exemptions from such requirements;
 - B. the Investor is aware that the Corporation is under no obligation to effect any such registration or file any registration with respect to the Purchased Shares (except solely to the extent, if, any, provided in the Investors Rights Agreement), to file a prospectus or to file for or comply with any exemption from such requirements;
 - C. the Investor is purchasing the Purchased Shares to be acquired by the Investor hereunder for its own account and not with a view to, or for resale in connection with, the distribution thereof in violation of the Applicable Securities Laws; and
 - D. the Investor is an Accredited Investor within the meaning of the National Instrument 45-106 Prospectus and Registration Exemptions and Regulations 45-106 respecting the Prospectus and Registration Exemptions in the Province of Quebec.

ARTICLE 5
INDEMNIFICATION

5.1 Indemnification by the Corporation in Favor of the Investor

The Corporation shall indemnify and save the Investor harmless from and against any Damages suffered by, imposed upon or asserted against the Investor, as a result of, in respect of, connected with, or arising out of, under or pursuant to:

- (a) any failure of the Corporation to perform or fulfill any of its covenants or agreements under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Corporation under Article 3.

5.2 Indemnification by the Investor in Favor of the Corporation

The Investor shall indemnify and save the Corporation harmless from and against any Damages suffered by, imposed upon or asserted against the Corporation, as a result of, in respect of, or arising out of, under or pursuant to:

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- (a) any failure of the Investor to perform or fulfill any covenant or agreements of the investor under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Investor under Article 4.

5.3 Time Limitations

- (a) The representations and warranties of the Corporation contained in this Agreement shall survive Closing and notwithstanding Closing and any investigation made by or on behalf of the Investor, shall survive Closing and continue in full force and effect without limitation of time.
- (b) The representations and warranties of the Investor contained in this Agreement shall survive Closing and, notwithstanding Closing and any investigation made by or on behalf of the Corporation, shall survive Closing and continue in full force and effect without limitation of time.

ARTICLE 6
MISCELLANEOUS

6.1 Further Assurances

From time to time after the Closing Date, each Party shall, at the request of any other Party, execute and deliver such additional conveyances, transfers and other assurances and do all such other acts or things as may be reasonably required to effectively carry out the purposes and intent of this Agreement.

6.2 Notices

All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed given if delivered personally, telecopied, sent by a Canadian nationally- recognized overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the Parties at the addresses set forth below or to such other address as the Party to whom notice is to be given may have furnished to the other Parties in writing in accordance with this Section 6.2. Any such notice or communication shall be deemed to have been delivered and received (a) in the case of personal delivery, on the date of such delivery, if such date is a Business Day, (b) in the case of telecopier, on the date sent if confirmation of receipt is received prior to 5:00 p.m. on that day and, if such date is a Business Day, (c) in the case of such a nationally-recognized overnight courier in circumstances under which such courier guarantees next Business

Day delivery, on the next Business Day after delivery and (d) in the case of mailing, on the third Business Day following that on which the envelope containing such communication is posted:

- (i) If to the Investor at:
- 5695 Ferrier Street
Mont-Royal (Québec)

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H4P INI

Attention: Herschel Segal
Facsimile:

- (ii) If to the Corporation:

0430 Ferrier
Town of Mount Royal QC
H4P1M2

Attention: Chief Executive Officer
Facsimile: (514) 739-0200

6.3 Time of the Essence

Time is of the essence of this Agreement.

6.4 Amendments

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by the Investor and the Corporation.

6.5 Waiver

No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) or a future waiver of the same provisions, nor shall such waiver be binding unless executed in writing by the Party to be bound by the waiver.

No failure on the part of any Party to exercise, and no delay in exercising any right under this Agreement shall operate as a waiver of such right, nor shall any single or partial exercise of any such right preclude any other or further exercise of such right or the exercise of any other right.

6.6 Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties.

6.7 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights or obligations under this Agreement shall be assignable or transferable by any of the Parties without the prior written consent of the other and any purported assignment or delegation in violation hereof shall be null and void.

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6.8 Severability

If any provision of this Agreement is determined by an arbitrator or any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall continue in full force and effect.

6.9 Governing Law

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Quebec and the federal laws of Canada applicable therein. Each Party hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the Province of Quebec.

6.10 Counterparts

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument.

6.11 Language

The Parties confirm that they have agreed that this Agreement and any other agreements and documents in relation thereto, be drafted in English only. *Les parties aux présentes confirment qu'elles ont accepté que la présente convention et toute autre convention et autre document s'y rapportant soit rédigés en anglais seulement.*

SIGNED as of the date of this Agreement.

DAVIDSTEA INC.

Per:

/s/ Jevin Eagle

Name: Jevin Eagle

Title: CEO

RAINY DAY INVESTMENTS LTD.

Per:

/s/ Herschel Segal

Name:

Title:

SHARE SUBSCRIPTION AGREEMENT

Share Subscription Agreement dated February 24, 2014 between Highland Consumer Fund I Limited Partnership, Highland Consumer Fund I-B Limited Partnership and Highland Consumer Entrepreneurs Fund I Limited Partnership (collectively, the “**Investor**”) and DAVIDsTEA Inc. (the “**Corporation**”).

WHEREAS as of the date hereof, the authorized capital of the Corporation consists of (i) an unlimited number of Common Shares, (ii) 2,000,000 Class AA Common Shares and (iii) an unlimited number of Preferred Shares, issuable in series, of which the currently existing series consist of an authorized number of (a) 7,441,341 Junior Preferred Shares, (b) 4,003,724 Series A Preferred Shares and (c) 681,073 Series A-1 Preferred Shares (the “**Series A-1 Preferred Shares**”);

AND WHEREAS the Investor has agreed to subscribe for and purchase from the Corporation, on the Closing Date, a total of 84,715 Series A-1 Preferred Shares (the “**Purchased Shares**”) on the terms and conditions set forth herein and the Corporation wishes to accept said subscription (the “**Subscription**”).

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1 **INTERPRETATION**

1.1 Definitions

As used in this Agreement, the following capitalized terms and expressions have the following meanings unless the context otherwise requires:

- (a) “**Agreement**” means this subscription agreement and all instruments that amend or confirm this share subscription agreement; and the expressions “**Article**” and “**Section**” followed by a number mean and refer to the specified Article or Section of this Agreement.
 - (b) “**Applicable Securities Laws**” means all applicable securities laws in Canada, including statutes, rules, regulations, by-laws, policies, guidelines, orders, decisions, rulings and awards.
 - (c) “**Business Day**” means any day, excluding Saturday, Sunday and any other day which in Montreal, Province of Quebec, is a legal holiday or a day on which governmental and quasi-governmental entities are authorized by law or by local proclamation to close.
 - (d) “**Closing**” means the completion of the Subscription.
 - (e) “**Closing Date**” means February 24, 2014.
 - (f) “**Common Shares**” means the Common Shares of the Corporation.
-
- (g) “**Corporation**” has the meaning set out in the recitals of this Agreement.
 - (h) “**Damages**” means any and all losses, liabilities, damages, claims or expenses (whether or not involving a third-party claim) including reasonable legal expenses actually suffered or incurred by either Party, provided, however, that notwithstanding the foregoing, “**Damages**” shall not include any consequential, exemplary or punitive damages or any diminution in value.
 - (i) “**Equity Plan**” means the Amended and Restated Equity Incentive Plan adopted by the Corporation on April 3, 2012, as amended on February 24, 2014 and as further amended from time to time.
 - (j) “**Governmental Authority**” means any (i) multinational, federal, provincial, state, municipal, local or other governmental or public department, central bank, court, arbitral body with legal jurisdiction, commission, board, bureau, agency, ministry or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the foregoing or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.
 - (k) “**Investor**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (l) “**Investors Rights Agreement**” means that certain Investors Rights Agreement, dated April 3, 2012, by and among the Corporation and the shareholders of the Corporation party thereto, as amended from time to time.
 - (m) “**Junior Preferred Shares**” means the Junior Preferred Shares of the Corporation.
 - (n) “**Material Adverse Effect**” means a materially adverse effect on (i) the business, operations, prospects, financial condition or liabilities (contingent or otherwise) of the Corporation on a consolidated basis, (ii) the ability of the Corporation on a consolidated basis to perform its obligations under this Agreement or (iii) the rights or benefits available to the Investor under this Agreement.
 - (o) “**Organizational Documents**” means, with respect to each of the Corporation and the Subsidiary, its certificate of incorporation, its by-laws, its partnership agreement, its memorandum and articles of association, articles of incorporation, continuation or amalgamation, share designations or similar organizational documents and all shareholder agreements, voting trusts and similar arrangements applicable to the Corporation or its Subsidiary.
 - (p) “**Parties**” means, collectively, the Investor and the Corporation and “**Party**” means any of them.
 - (q) “**Purchased Shares**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (r) “**Series A Preferred Shares**” means the Series A Preferred Shares of the Corporation.

- (s) “**Series A-1 Preferred Shares**” means the Series A-1 Preferred Shares of the Corporation.
- (t) “**Subscription**” has the meaning set out in the recitals at the beginning of this Agreement.
- (u) “**Subsidiary**” means DAVIDsTEA (USA) Inc.

1.2 Gender and Number

Any reference in this Agreement to gender includes all genders (including neuter) and words denoting the singular number only shall include the plural and *vice versa*.

1.3 Headings, Etc.

The provision of a table of contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and shall not affect the interpretation of this Agreement.

1.4 Certain Expressions, Etc.

In this Agreement, (i) the words “**includes**”, “**including**” and similar expressions mean “**include (or including) without limitation**”, and (ii) the phrases “**the aggregate of**”, the “**total of**”, the “**sum of**” and similar expressions mean the “**aggregate (or total or sum), without duplication, of**”.

1.5 Currency

All references in this Agreement to “**dollars**” or to “**\$**” are expressed in lawful money of Canada, unless otherwise specifically indicated.

1.6 Legal Representation; No Presumption against any Party

Each Party acknowledges that it has been represented by counsel or has been given the opportunity to obtain counsel in connection with the negotiation and execution of this Agreement and that the terms of this Agreement have been negotiated by it. Any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement, against the Party that drafted it has no application and any such right is expressly waived by each Party.

1.7 Day Not a Business Day, Calculation of Delays

If an action is required to be taken hereunder no later than a day which is not a Business Day, then such action shall instead be required to be taken no later than the next succeeding Business Day.

If any action may be taken within, or any right or obligation is to expire at the end of, a period of days under this Agreement, then the day which is the reference day in calculating such period shall be excluded.

1.8 Recitals

The recitals herein shall form an integral part hereof.

ARTICLE 2 SECURITIES SUBSCRIPTION TERMS

2.1 Subscription

Subject to the terms of this Agreement, the Corporation agrees to issue to the Investor, and the Investor hereby agrees to subscribe for a total of 84,715 Series A-1 Preferred Shares, for a subscription price of \$9.05 per share payable in cash on the Closing Date, as follows:

- (i) 68,021 Series A-1 Preferred Shares to Highland Consumer Fund I Limited Partnership;
- (ii) 14,513 Series A-1 Preferred Shares to Highland Consumer Fund I-B Limited Partnership; and
- (iii) 2,181 Series A-1 Preferred Shares to Highland Consumer Entrepreneurs Fund I Limited Partnership.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

3.1 Representations and Warranties of the Corporation

The Corporation does hereby represent and warrant to the Investor as follows, and acknowledges and confirms that the Investor is relying on such representations and warranties, notwithstanding any investigation by the Investor:

- (a) **Existence.** Each of the Corporation and the Subsidiary is a corporation duly incorporated and validly existing and in good standing under the laws of its jurisdiction of incorporation and of all jurisdictions in which it carries on business and is in compliance with all provisions of its Organizational Documents and each of the Corporation and the Subsidiary has all requisite power and authority to own its property and to carry on its business as now being and hereafter proposed to be conducted.

- (b) **Capitalization.** The authorized and issued share capital of the Company consists, immediately prior to the Closing, of:
- (i) 2,000,000 Class AA Common Shares, none of which are issued and outstanding immediately prior to Closing;
 - (ii) an unlimited number of Common Shares, of which 32,514 Common Shares are issued and outstanding, immediately prior to the Closing, and with respect to which options to purchase an aggregate amount of 1,240,402 Common Shares are currently issued and outstanding; and
- 4
-
- (iii) (A) 7,441,341 Junior Preferred Shares, all of which are issued and outstanding, (B) 4,003,724 Series A Preferred Shares, all of which are issued and outstanding and (C) 681,073 Series A-1 Preferred Shares, none of which are issued and outstanding immediately prior to the Closing.
- (c) **Authorization of this Agreement by the Corporation.** The Corporation has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by duly authorized officers of the Corporation. The obligations of the Corporation under this Agreement constitute legal, valid and binding obligations of the Corporation. The Corporation has obtained all requisite consents and approvals in order to effect the transactions contemplated in this Agreement.
- (d) **Valid Issuance of the Purchased Shares.** The Purchased Shares, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be validly issued, fully paid and non-assessable Series A-1 Preferred Shares of the Corporation, free and clear of all liens. The Common Shares issuable upon conversion of the Purchased Shares, have been duly authorized and reserved for issuance and, upon issuance in accordance with the terms of the Organizational Documents, will be validly issued, fully paid and non-assessable, free and clear of all liens.
- (e) **No Other Agreements to Purchase.** Except for the Investor's right under this Agreement and except for (i) the other Series A-1 Preferred Shares to be issued to each of Capital GVR Inc. and Rainy Day Investments Ltd. ("Rainy Day"), as of the date hereof, (ii) any other Series A-1 Preferred Shares that may be issued to Tom Folliard, subject to the prior written consent of the Investor and Rainy Day (which consent is at the sole discretion of each such shareholder), and to each of Rainy Day and the Investor, if and to the extent that either or both of such shareholders exercise their respective right of first offer pursuant to the Investors Rights Agreement, (iii) the Common Shares issuable upon the exercise of options or the issuance of restricted shares under the Equity Plan and (iv) any options or shares that may be issued to Mogey Inc. ("Mogey"¹¹) pursuant to any settlement related to Mogey's claim against the Corporation, no person has any written or oral agreement, option or warrant or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming such for the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Corporation.
- (f) **Financial Statements.** The audited financial statements as of December 31, 2012 of the Corporation have been prepared in accordance with generally accepted accounting principles and fairly present in all material respects the financial condition and operating results of the Corporation as of such date, and for the period, indicated therein.
- (g) **No Conflict.** The execution, delivery and performance by the Corporation of this Agreement, in accordance with its terms, and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the Organizational Documents of the Corporation, (ii) violate any provision of law applicable to the Corporation, and (iii) result in a breach of, or constitute a default under, any

agreement or instrument to which it is a party or by which any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, could not reasonably be expected to have a Material Adverse Effect.

- (h) **Government Regulation.** No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Governmental Authority is required on the part of the Corporation in connection with the consummation of the transactions contemplated by this Agreement, except for filings pursuant to Applicable Securities Laws, which have been made or will be made in a timely manner.
- (i) **Compliance with Law.** Each of the Corporation and the Subsidiary is in compliance with all laws and regulations applicable to it and to its business and assets, the non-compliance with which, could, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect.
- (j) **Litigation.** There is no notice of infraction, action, suit or proceeding pending against (nor, to the knowledge of the Corporation, threatened against or in any other manner relating adversely to) the Corporation, the Subsidiary or any of their respective property in any court or before any arbitrator of any kind or before or by any Governmental Authority which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

4.1 Representations and Warranties of the Investor

The Investor does hereby represent and warrant to the Corporation as follows, and acknowledges and confirms that the Corporation is relying on such representations and warranties, notwithstanding any investigation by the Corporation:

- (a) **Authorization of this Agreement by the Investor.** The Investor has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by the authorized officers of the Investor. The obligations of the Investor under this Agreement constitute legal, valid and binding obligations of the Investor.
- (b) **No Conflict.** The execution, delivery and performance by the Investor of this Agreement in accordance with its terms and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the Organizational Documents of the Investor, (ii) violate any provision of law applicable to the Investor, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party

(c) **Acknowledgement.**

- (i) The Investor understands that (i) the issuance of the Purchased Shares by the Corporation is intended to be exempt from the prospectus and registration requirements of the Applicable Securities Laws, and (ii) there is no existing public or other market for the Purchased Shares.
- (ii) Solely for establishing that the offer, sale and issuance of the Purchased Shares pursuant to this Agreement are exempt from the registration requirements of the Applicable Securities Laws:
 - A. the Investor understands that the Purchased Shares will be issued in a transaction exempt from the prospectus and registration requirements of the Applicable Securities Laws and that such securities may not be resold by the Investor in Canada except in compliance with such registration and prospectus requirements or subject to exemptions from such requirements;
 - B. the Investor is aware that the Corporation is under no obligation to effect any such registration or file any registration with respect to the Purchased Shares (except solely to the extent, if, any, provided in the Investors Rights Agreement), to file a prospectus or to file for or comply with any exemption from such requirements;
 - C. the Investor is purchasing the Purchased Shares to be acquired by the Investor hereunder for its own account and not with a view to, or for resale in connection with, the distribution thereof in violation of the Applicable Securities Laws; and
 - D. the Investor is an Accredited Investor within the meaning of the National Instrument 45-106 Prospectus and Registration Exemptions and Regulations 45-106 respecting the Prospectus and Registration Exemptions in the Province of Quebec.

ARTICLE 5
INDEMNIFICATION

5.1 Indemnification by the Corporation in Favor of the Investor

The Corporation shall indemnify and save the Investor harmless from and against any Damages suffered by, imposed upon or asserted against the Investor, as a result of, in respect of, connected with, or arising out of, under or pursuant to:

- (a) any failure of the Corporation to perform or fulfill any of its covenants or agreements under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Corporation under Article 3.

5.2 Indemnification by the Investor in Favor of the Corporation

The Investor shall indemnify and save the Corporation harmless from and against any Damages suffered by, imposed upon or asserted against the Corporation, as a result of, in respect of, or arising out of, under or pursuant to:

- (a) any failure of the Investor to perform or fulfill any covenant or agreements of the investor under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Investor under Article 4.

5.3 Time Limitations

- (a) The representations and warranties of the Corporation contained in this Agreement shall survive Closing and notwithstanding Closing and any investigation made by or on behalf of the Investor, shall survive Closing and continue in full force and effect without limitation of time.
- (b) The representations and warranties of the Investor contained in this Agreement shall survive Closing and, notwithstanding Closing and any investigation made by or on behalf of the Corporation, shall survive Closing and continue in full force and effect without limitation of time.

ARTICLE 6
MISCELLANEOUS

6.1 Further Assurances

From time to time after the Closing Date, each Party shall, at the request of any other Party, execute and deliver such additional conveyances, transfers and other assurances and do all such other acts or things as may be reasonably required to effectively carry out the purposes and intent of this Agreement.

6.2 Notices

All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed given if delivered personally, telecopied, sent by a Canadian nationally-recognized overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the Parties at the addresses set forth below or to such other address as the Party to whom notice is to be given may have furnished to the other Parties in writing in accordance with this Section 6.2. Any such notice or communication shall be deemed to have been delivered and received (a) in the case of personal delivery, on the date of such delivery, if such date is a Business Day, (b) in the case of telecopier, on the date sent if confirmation of receipt is received prior to 5:00p.m. on that day and, if such date is a Business Day, (c) in the case of such a nationally-recognized overnight courier in circumstances under which such courier guarantees next Business Day

delivery, on the next Business Day after delivery and (d) in the case of mailing, on the third Business Day following that on which the envelope containing such communication is posted:

(i) If to the Investor at:

c/o Highland Capital Partners, LLP
1 Broadway, 16th floor
Cambridge, MA 02142
U.S.A.

Attention: Tom Sternberg
Facsimile:

(ii) If to the Corporation:

5430 Ferrier
Town of Mount Royal QC
H4P1M2

Attention: Chief Executive Officer
Facsimile: (514) 739-0200

6.3 Time of the Essence

Time is of the essence of this Agreement.

6.4 Amendments

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by the Investor and the Corporation.

6.5 Waiver

No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) or a future waiver of the same provisions, nor shall such waiver be binding unless executed in writing by the Party to be bound by the waiver.

No failure on the part of any Party to exercise, and no delay in exercising any right under this Agreement shall operate as a waiver of such right, nor shall any single or partial exercise of any such right preclude any other or further exercise of such right or the exercise of any other right.

6.6 Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties.

6.7 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights or obligations under this Agreement shall be assignable or transferable by any of the Parties without the prior written consent of the other and any purported assignment or delegation in violation hereof shall be null and void.

6.8 Severability

If any provision of this Agreement is determined by an arbitrator or any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall continue in full force and effect.

6.9 Governing Law

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Quebec and the federal laws of Canada applicable therein. Each Party hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the Province of Quebec.

6.10 Counterparts

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument.

6.11 Language

The Parties confirm that they have agreed that this Agreement and any other agreements and documents in relation thereto, be drafted in English only. *Les parties aux présentes confirment qu'elles ont accepté que la présente convention et toute autre convention et autre document s'y rapportant soit rédigés en anglais seulement.*

SIGNED as of the date of this Agreement.

DAVIDSTEAM INC.

Per: /s/ Jevin Eagle

Name: Jevin Eagle

Title: CEO

HIGHLAND CONSUMER FUND I LIMITED PARTNERSHIP, represented by its general partner, HIGHLAND CONSUMER GP LIMITED PARTNERSHIP, itself representing by its general partner, HIGHLAND CONSUMER GP LIMITED PARTNERSHIP, itself representing by its general partner, HIGHLAND CONSUMER GP GP LLC,

/s/ Authorized Person

Authorized Signatory

HIGHLAND CONSUMER FUND I-B LIMITED PARTNERSHIP, represented by its general partner, HIGHLAND CONSUMER GP LIMITED PARTNERSHIP, itself representing by its general partner, HIGHLAND CONSUMER GP GP LLC

/s/ Authorized Person

Authorized Signatory

HIGHLAND CONSUMER ENTREPRENEURS FUND I LIMITED PARTNERSHIP, represented by its general partner, HIGHLAND CONSUMER GP LIMITED PARTNERSHIP, itself representing by its general partner, HIGHLAND CONSUMER GP GP LLC

/s/ Authorized Person

Authorized Signatory

SHARE SUBSCRIPTION AGREEMENT

Share Subscription Agreement dated March 21, 2014 between Thomas J. Folliard, IV Marital Deduction Trust uad 8/1/2011 (the “**Investor**”) and DAVIDsTEA Inc. (the “**Corporation**”).

WHEREAS as of the date hereof, the authorized capital of the Corporation consists of (i) an unlimited number of Common Shares, (ii) 2,000,000 Class AA Common Shares and (iii) an unlimited number of Preferred Shares, issuable in series, of which the currently existing series consist of an authorized number of (a) 7,441,341 Junior Preferred Shares, (b) 4,003,724 Series A Preferred Shares and (c) 681,073 Series A-1 Preferred Shares (the “**Series A-1 Preferred Shares**”);

AND WHEREAS the Investor has agreed to subscribe for and purchase from the Corporation, on the Closing Date, 55,249 Series A-1 Preferred Shares (the “**Purchased Shares**”) on the terms and conditions set forth herein and the Corporation wishes to accept said subscription (the “**Subscription**”).

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE I INTERPRETATION

1.1 Definitions

As used in this Agreement, the following capitalized terms and expressions have the following meanings unless the context otherwise requires:

- (a) “**Agreement**” means this subscription agreement and all instruments that amend or confirm this share subscription agreement; and the expressions “Article” and “Section” followed by a number mean and refer to the specified Article or Section of this Agreement.
 - (b) “**Applicable Securities Laws**” means all applicable securities laws in Canada and the United States, including statutes, rules, regulations, by-laws, policies, guidelines, orders, decisions, rulings and awards.
 - (c) “**Business Day**” means any day, excluding Saturday, Sunday and any other day which in Montreal, Province of Quebec, is a legal holiday or a day on which governmental and quasi-governmental entities are authorized by law or by local proclamation to close.
 - (d) “**Closing**” means the completion of the Subscription.
 - (e) “**Closing Date**” means March 21, 2014.
 - (f) “**Common Shares**” means the Common Shares of the Corporation.
-
- (g) “**Corporation**” has the meaning set out in the recitals of this Agreement.
 - (h) “**Damages**” means any and all losses, liabilities, damages, claims or expenses (whether or not involving a third-party claim) including reasonable legal expenses actually suffered or incurred by either Party, provided, however, that notwithstanding the foregoing, “Damages” shall not include any consequential, exemplary or punitive damages or any diminution in value.
 - (i) “**Equity Plan**” means the Amended and Restated Equity Incentive Plan adopted by the Corporation on April 3, 2012, as amended on February 24, 2014 and as further amended from time to time.
 - (j) “**Governmental Authority**” means any (i) multinational, federal, provincial, state, municipal, local or other governmental or public department, central bank, court, arbitral body with legal jurisdiction, commission, board, bureau, agency, ministry or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the foregoing or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.
 - (k) “**Investor**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (l) “**Investors Rights Agreement**” means that certain Amended and Restated Investors’ Rights Agreement, dated February 24, 2014, by and among the Corporation and the shareholders of the Corporation party thereto, as amended from time to time.
 - (m) “**Junior Preferred Shares**” means the Junior Preferred Shares of the Corporation.
 - (n) “**Material Adverse Effect**” means a materially adverse effect on (i) the business, operations, prospects, financial condition or liabilities (contingent or otherwise) of the Corporation on a consolidated basis, (ii) the ability of the Corporation on a consolidated basis to perform its obligations under this Agreement or (iii) the rights or benefits available to the Investor under this Agreement.
 - (o) “**Organizational Documents**” means, with respect to each of the Corporation and the Subsidiary, its certificate of incorporation, its by-laws, its partnership agreement, its memorandum and articles of association, articles of incorporation, continuation or amalgamation, share designations or similar organizational documents and all shareholder agreements, voting trusts and similar arrangements applicable to the Corporation or its Subsidiary.
 - (p) “**Parties**” means, collectively, the Investor and the Corporation and “Party” means any of them.
 - (q) “**Purchased Shares**” has the meaning set out in the recitals at the beginning of this

Agreement.

- (r) **“Series A Preferred Shares”** means the Series A Preferred Shares of the Corporation.
- (s) **“Series A-1 Preferred Shares”** means the Series A-1 Preferred Shares of the Corporation.
- (t) **“Subscription”** has the meaning set out in the recitals at the beginning of this Agreement.
- (u) **“Subsidiary”** means DAVIDsTEA (USA) Inc.

1.2 Gender and Number

Any reference in this Agreement to gender includes all genders (including neuter) and words denoting the singular number only shall include the plural and *vice versa*.

1.3 Headings, Etc.

The provision of a table of contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and shall not affect the interpretation of this Agreement.

1.4 Certain Expressions, Etc.

In this Agreement, (i) the words **“includes”**, **“including”** and similar expressions mean **“include (or including) without limitation”**, and (ii) the phrases **“the aggregate of”**, the **“total of”**, the **“sum of”** and similar expressions mean the **“aggregate (or total or sum), without duplication, of”**.

1.5 Currency

All references in this Agreement to **“dollars”** or to **“\$”** are expressed in lawful money of Canada, unless otherwise specifically indicated.

1.6 Legal Representation; No Presumption against any Party

Each Party acknowledges that it has been represented by counsel or has been given the opportunity to obtain counsel in connection with the negotiation and execution of this Agreement and that the terms of this Agreement have been negotiated by it. Any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement, against the Party that drafted it has no application and any such right is expressly waived by each Party.

1.7 Day Not a Business Day, Calculation of Delays

If an action is required to be taken hereunder no later than a day which is not a Business Day, then such action shall instead be required to be taken no later than the next succeeding Business Day.

If any action may be taken within, or any right or obligation is to expire at the end of, a period of days under this Agreement, then the day which is the reference day in calculating such period shall be excluded.

1.8 Recitals

The recitals herein shall form an integral part hereof.

ARTICLE 2 SECURITIES SUBSCRIPTION TERMS

2.1 Subscription

Subject to the terms of this Agreement, the Corporation agrees to issue to the Investor, and the Investor hereby agrees to subscribe for 55,249 Series A-1 Preferred Shares, for a subscription price of \$9.05 per share payable in cash on the Closing Date.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

3.1 Representations and Warranties of the Corporation

The Corporation does hereby represent and warrant to the Investor as follows, and acknowledges and confirms that the Investor is relying on such representations and warranties, notwithstanding any investigation by the Investor:

- (a) **Existence.** Each of the Corporation and the Subsidiary is a corporation duly incorporated and validly existing and in good standing under the laws of its jurisdiction of incorporation and of all jurisdictions in which it carries on business and is in compliance with all provisions of its Organizational Documents and each of the Corporation and the Subsidiary has all requisite power and authority to own its property and to carry on its business as now being and hereafter proposed to be conducted.
- (b) **Capitalization.** The authorized and issued share capital of the Company consists, immediately prior to the Closing, of:
 - (i) 2,000,000 Class AA Common Shares, none of which are issued and outstanding immediately prior to the Closing;

- (ii) an unlimited number of Common Shares, of which 32,514 Common Shares are issued and outstanding immediately prior to the Closing, and with respect to which options to purchase an aggregate amount of 1,374,675 Common Shares

are currently issued and outstanding; and

- (iii) (A) 7,441,341 Junior Preferred Shares, all of which are issued and outstanding, (B) 4,003,724 Series A Preferred Shares, all of which are issued and outstanding and (C) 681,073 Series A-1 Preferred Shares, of which 454,049 Series A-1 Preferred Shares are issued and outstanding immediately prior to the Closing.

- (c) **Authorization of this Agreement by the Corporation.** The Corporation has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby.

This Agreement has been executed and delivered by duly authorized officers of the Corporation. The obligations of the Corporation under this Agreement constitute legal, valid and binding obligations of the Corporation. The Corporation has obtained all requisite consents and approvals in order to effect the transactions contemplated in this Agreement.

- (d) **Valid Issuance of the Purchased Shares.** The Purchased Shares, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be validly issued, fully paid and non-assessable Series A-1 Preferred Shares of the Corporation, free and clear of all liens. The Common Shares issuable upon conversion of the Purchased Shares, have been duly authorized and reserved for issuance and, upon issuance in accordance with the terms of the Organizational Documents, will be validly issued, fully paid and non-assessable, free and clear of all liens.
- (e) **No Other Agreements to Purchase.** Except for the Investor's right under this Agreement and except for (i) the other Series A-1 Preferred Shares to be issued to each of Rainy Day Investments Ltd., Highland Consumer Fund I Limited Partnership, Highland Consumer Fund I-B Limited Partnership and Highland Consumer Entrepreneurs Fund I Limited Partnership, as of the date hereof, (ii) the Common Shares issuable upon the exercise of options or the issuance of restricted shares under the Equity Plan and (iii) any options or shares that may be issued to Mogey Inc. ("**Mogey**") pursuant to any settlement related to Mogey's claim against the Corporation, no person has any written or oral agreement, option or warrant or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming such for the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Corporation.
- (f) **Financial Statements.** The audited financial statements as of December 31, 2012 of the Corporation have been prepared in accordance with generally accepted accounting principles and fairly present in all material respects the financial condition and operating results of the Corporation as of such date, and for the period, indicated therein.
- (g) **No Conflict.** The execution, delivery and performance by the Corporation of this

Agreement, in accordance with its terms, and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the Organizational Documents of the Corporation, (ii) violate any provision of law applicable to the Corporation, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party or by which any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, could not reasonably be expected to have a Material Adverse Effect.

- (h) **Government Regulation.** No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Governmental Authority is required on the part of the Corporation in connection with the consummation of the transactions contemplated by this Agreement.
- (i) **Compliance with Law.** Each of the Corporation and the Subsidiary is in compliance with all laws and regulations applicable to it and to its business and assets, the non-compliance with which, could, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect.
- (j) **Litigation.** There is no notice of infraction, action, suit or proceeding pending against (nor, to the knowledge of the Corporation, threatened against or in any other manner relating adversely to) the Corporation, the Subsidiary or any of their respective property in any court or before any arbitrator of any kind or before or by any Governmental Authority which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

4.1 Representations and Warranties of the Investor

The Investor does hereby represent and warrant to the Corporation as follows, and acknowledges and confirms that the Corporation is relying on such representations and warranties, notwithstanding any investigation by the Corporation:

- (a) **Authorization of this Agreement by the Investor.** The Investor has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by the authorized trustees of the Investor. The obligations of the Investor under this Agreement constitute legal, valid and binding obligations of the Investor.
- (b) **No Conflict.** The execution, delivery and performance by the Investor of this Agreement in accordance with its terms and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the organizational documents of the Investor, (ii) violate any provision of law applicable to

the Investor, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party or by which it or any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, individually or in the aggregate, are not material.

(c) **Acknowledgement.**

- (i) The Investor understands that (i) the issuance of the Purchased Shares by the Corporation is intended to be exempt from the prospectus and registration requirements of the Applicable Securities Laws, and (ii) there is no existing public or other market for the Purchased Shares.
- (ii) Solely for establishing that the offer, sale and issuance of the Purchased Shares pursuant to this Agreement are exempt from the registration requirements of the Applicable Securities Laws:
 - A. the Investor understands that the Purchased Shares will be issued in a transaction exempt from the prospectus and registration requirements of the Applicable Securities Laws and that such securities may not be resold by the Investor in Canada and the United States except in compliance with such registration and prospectus requirements or subject to exemptions from such requirements;
 - B. the Investor is aware that the Corporation is under no obligation to effect any such registration or file any registration with respect to the Purchased Shares (except solely to the extent, if, any, provided in the Investors Rights Agreement), to file a prospectus or to file for or comply with any exemption from such requirements;
 - C. the Investor is purchasing the Purchased Shares to be acquired by the Investor hereunder for its own account and not with a view to, or for resale in connection with, the distribution thereof in violation of the Applicable Securities Laws; and
 - D. the Investor is an Accredited Investor within the meaning of the National Instrument 45-106 Prospectus and Registration Exemptions and Regulations 45-106 respecting the Prospectus and Registration Exemptions in the Province of Québec.

ARTICLE 5 INDEMNIFICATION

5.1 Indemnification by the Corporation in Favor of the Investor

The Corporation shall indemnify and save the Investor harmless from and against any

Damages suffered by, imposed upon or asserted against the Investor, as a result of, in respect of, connected with, or arising out of, under or pursuant to:

- (a) any failure of the Corporation to perform or fulfill any of its covenants or agreements under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Corporation under Article 3.

5.2 Indemnification by the Investor in Favor of the Corporation

The Investor shall indemnify and save the Corporation harmless from and against any Damages suffered by, imposed upon or asserted against the Corporation, as a result of, in respect of, or arising out of, under or pursuant to:

- (a) any failure of the Investor to perform or fulfill any covenant or agreements of the investor under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Investor under Article 4.

5.3 Time Limitations

- (a) The representations and warranties of the Corporation contained in this Agreement shall survive Closing and notwithstanding Closing and any investigation made by or on behalf of the Investor, shall survive Closing and continue in full force and effect without limitation of time.
- (b) The representations and warranties of the Investor contained in this Agreement shall survive Closing and, notwithstanding Closing and any investigation made by or on behalf of the Corporation, shall survive Closing and continue in full force and effect without limitation of time.

ARTICLE 6 MISCELLANEOUS

6.1 Further Assurances

From time to time after the Closing Date, each Party shall, at the request of any other Party, execute and deliver such additional conveyances, transfers and other assurances and do all such other acts or things as may be reasonably required to effectively carry out the purposes and intent of this Agreement.

6.2 Notices

All notices and other communications pursuant to this Agreement shall be in writing and

shall be deemed given if delivered personally, telecopied, sent by a Canadian nationally-recognized overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the Parties at the addresses set forth below or to such other address as the Party to whom notice is to be given may have furnished to the other Parties in writing in accordance with this Section 6.2. Any such notice or communication shall be deemed to have been delivered and received (a) in the case of personal delivery, on the date of such delivery, if such date is a Business Day, (b) in the case of telecopier, on the date sent if confirmation of receipt is received prior to 5:00p.m. on that day and, if such date is a Business Day, (c) in the case of such a nationally-recognized overnight courier in circumstances under which such courier guarantees next Business Day delivery, on the next Business Day after delivery and (d) in the case of mailing, on the third Business Day following that on which the envelope containing such communication is posted:

(i) If to the Investor at:

Attention: Tom Folliard
Facsimile:

(ii) If to the Corporation:

5430 Ferrier
Town of Mount Royal QC H4P1M2
Attention: Facsimile:
Chief Executive Officer
(514) 739-0200

6.3 Time of the Essence

Time is of the essence of this Agreement.

6.4 Amendments

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by the Investor and the Corporation.

6.5 Waiver

No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) or a future waiver of the same provisions, nor shall such waiver be binding unless executed in writing by the Party to be bound by the waiver.

No failure on the part of any Party to exercise, and no delay in exercising any right under

this Agreement shall operate as a waiver of such right, nor shall any single or partial exercise of any such right preclude any other or further exercise of such right or the exercise of any other right.

6.6 Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties.

6.7 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights or obligations under this Agreement shall be assignable or transferable by any of the Parties without the prior written consent of the other and any purported assignment or delegation in violation hereof shall be null and void.

6.8 Severability

If any provision of this Agreement is determined by an arbitrator or any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall continue in full force and effect.

6.9 Governing Law

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Quebec and the federal laws of Canada applicable therein. Each Party hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the Province of Quebec.

6.10 Counterparts

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument.

6.11 Language

The Parties confirm that they have agreed that this Agreement and any other agreements and documents in relation thereto, be drafted in English only. *Les parties aux présentes confirment qu'elles ont accepté que la présente convention et toute autre convention et autre document s'y rapportant soit rédigés en anglais seulement.*

SIGNED as of the date of this Agreement.

DAVIDSTEAL INC.

Per:

/s/ Jevin Eagle

Name: Jevin Eagle
Title: CEO

THOMAS J. FOLLIARD, IV MARITAL
DEDUCTION TRUST UAD 8/1/2011,
represented by Tom Folliard, as Trustee of
the Trust.

/s/ Tom Folliard

TOM FOLLIARD

SHARE SUBSCRIPTION AGREEMENT

Share Subscription Agreement dated March 21, 2014 between Rainy Day Investments Ltd. (the **“Investor”**) and DAVIDsTEA Inc. (the **“Corporation”**).

WHEREAS as of the date hereof, the authorized capital of the Corporation consists of (i) an unlimited number of Common Shares, (ii) 2,000,000 Class AA Common Shares and (iii) an unlimited number of Preferred Shares, issuable in series, of which the currently existing series consist of an authorized number of (a) 7,441,341 Junior Preferred Shares, (b) 4,003,724 Series A Preferred Shares and (c) 681,073 Series A-I Preferred Shares (the **“Series A-I Preferred Shares”**);

AND WHEREAS the Investor has agreed to subscribe for and purchase from the Corporation, on the Closing Date, 129,418 Series A-I Preferred Shares (the **“Purchased Shares”**) on the terms and conditions set forth herein and the Corporation wishes to accept said subscription (the **“Subscription”**).

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1 INTERPRETATION

1.1 Definitions

As used in this Agreement, the following capitalized terms and expressions have the following meanings unless the context otherwise requires:

- (a) **“Agreement”** means this subscription agreement and all instruments that amend or confirm this share subscription agreement; and the expressions **“Article”** and **“Section”** followed by a number mean and refer to the specified Article or Section of this Agreement.
 - (b) **“Applicable Securities Laws”** means all applicable securities laws in Canada and the United States, including statutes, rules, regulations, by-laws, policies, guidelines, orders, decisions, rulings and awards.
 - (c) **“Business Day”** means any day, excluding Saturday, Sunday and any other day which in Montreal, Province of Quebec, is a legal holiday or a day on which governmental and quasi-governmental entities are authorized by law or by local proclamation to close.
 - (d) **“Closing”** means the completion of the Subscription.
 - (e) **“Closing Date”** means March 21, 2014.
 - (f) **“Common Shares”** means the Common Shares of the Corporation.
 - (g) **“Corporation”** has the meaning set out in the recitals of this Agreement.
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- (h) **“Damages”** means any and all losses, liabilities, damages, claims or expenses (whether or not involving a third-party claim) including reasonable legal expenses actually suffered or incurred by either Party, provided, however, that notwithstanding the foregoing, **“Damages”** shall not include any consequential, exemplary or punitive damages or any diminution in value.
 - (i) **“Equity Plan”** means the Amended and Restated Equity Incentive Plan adopted by the Corporation on April 3, 2012, as amended on February 24, 2014 and as further amended from time to time.
 - (j) **“Governmental Authority”** means any (i) multinational, federal, provincial, state, municipal, local or other governmental or public department, central bank, court, arbitral body with legal jurisdiction, commission, board, bureau, agency, ministry or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the foregoing or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.
 - (k) **“Investor”** has the meaning set out in the recitals at the beginning of this Agreement.
 - (l) **“Investors Rights Agreement”** means that certain Amended and Restated Investors’ Rights Agreement, dated February 24, 2014, by and among the Corporation and the shareholders of the Corporation party thereto, as amended from time to time.
 - (m) **“Junior Preferred Shares”** means the Junior Preferred Shares of the Corporation.
 - (n) **“Material Adverse Effect”** means a materially adverse effect on (i) the business, operations, prospects, financial condition or liabilities (contingent or otherwise) of the Corporation on a consolidated basis, (ii) the ability of the Corporation on a consolidated basis to perform its obligations under this Agreement or (iii) the rights or benefits available to the Investor under this Agreement.
 - (o) **“Organizational Documents”** means, with respect to each of the Corporation and the Subsidiary, its certificate of incorporation, its by-laws, its partnership agreement, its memorandum and articles of association, articles of incorporation, continuation or amalgamation, share designations or similar organizational documents and all shareholder agreements, voting trusts and similar arrangements applicable to the Corporation or its Subsidiary.
 - (p) **“Parties”** means, collectively, the Investor and the Corporation and **“Party”** means any of them.
 - (q) **“Purchased Shares”** has the meaning set out in the recitals at the beginning of this Agreement.
 - (r) **“Series A Preferred Shares”** means the Series A Preferred Shares of the Corporation.
 - (s) **“Series A-I Preferred Shares”** means the Series A-I Preferred Shares of the Corporation.

(t) **“Subscription”** has the meaning set out in the recitals at the beginning of this Agreement.

(u) **“Subsidiary”** means DAVIDsTEA (USA) Inc.

1.2 Gender and Number

Any reference in this Agreement to gender includes all genders (including neuter) and words denoting the singular number only shall include the plural and *vice versa*.

1.3 Headings, Etc.

The provision of a table of contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and shall not affect the interpretation of this Agreement.

1.4 Certain Expressions, Etc.

In this Agreement, (i) the words “includes”, “including” and similar expressions mean **“include (or including) without limitation”**, and (ii) the phrases **“the aggregate of”**, the **“total of”**, the **“sum of”** and similar expressions mean the **“aggregate (or total or sum), without duplication, of”**.

1.5 Currency

All references in this Agreement to **“dollars”** or to **“\$”** are expressed in lawful money of Canada, unless otherwise specifically indicated.

1.6 Legal Representation; No Presumption against any Party

Each Party acknowledges that it has been represented by counsel or has been given the opportunity to obtain counsel in connection with the negotiation and execution of this Agreement and that the terms of this Agreement have been negotiated by it. Any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement, against the Party that drafted it has no application and any such right is expressly waived by each Party.

1.7 Day Not a Business Day, Calculation of Delays

If an action is required to be taken hereunder no later than a day which is not a Business Day, then such action shall instead be required to be taken no later than the next succeeding Business Day.

If any action may be taken within, or any right or obligation is to expire at the end of, a period of days under this Agreement, then the day which is the reference day in calculating such period shall be excluded.

1.8 Recitals

The recitals herein shall form an integral part hereof.

ARTICLE 2 SECURITIES SUBSCRIPTION TERMS

2.1 Subscription

Subject to the terms of this Agreement, the Corporation agrees to issue to the Investor, and the Investor hereby agrees to subscribe for 129,418 Series A-1 Preferred Shares, for a subscription price of \$9.05 per share payable, on the Closing Date, by a partial reduction of the debt by an amount of \$1,171,233 under the loan agreement entered into between the Corporation and the Investor on April 3, 2012 (the “Loan Agreement”). The Corporation acknowledges that the remaining debt remains payable in accordance with the terms of the Loan Agreement.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

3.1 Representations and Warranties of the Corporation

The Corporation does hereby represent and warrant to the Investor as follows, and acknowledges and confirms that the Investor is relying on such representations and warranties, notwithstanding any investigation by the Investor:

- (a) **Existence.** Each of the Corporation and the Subsidiary is a corporation duly incorporated and validly existing and in good standing under the laws of its jurisdiction of incorporation and of all jurisdictions in which it carries on business and is in compliance with all provisions of its Organizational Documents and each of the Corporation and the Subsidiary has all requisite power and authority to own its property and to carry on its business as now being and hereafter proposed to be conducted.
- (b) **Capitalization.** The authorized and issued share capital of the Company consists, immediately prior to the Closing, of:
 - (i) 2,000,000 Class AA Common Shares, none of which are issued and outstanding immediately prior to the Closing;

- (ii) an unlimited number of Common Shares, of which 32,514 Common Shares are issued and outstanding immediately prior to the Closing, and with respect to which options to purchase an aggregate amount of 1,374,675 Common Shares are currently issued and outstanding; and
 - (iii) (A) 7,441,341 Junior Preferred Shares, all of which are issued and outstanding, (B) 4,003,724 Series A Preferred Shares, all of which are issued and outstanding and (C) 681,073 Series A-1 Preferred Shares, of which 454,049 Series A-1 Preferred Shares are issued and outstanding immediately prior to the Closing.
- (c) **Authorization of this Agreement by the Corporation.** The Corporation has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by duly authorized officers of the

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Corporation. The obligations of the Corporation under this Agreement constitute legal, valid and binding obligations of the Corporation. The Corporation has obtained all requisite consents and approvals in order to effect the transactions contemplated in this Agreement.

- (d) **Valid Issuance of the Purchased Shares.** The Purchased Shares, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be validly issued, fully paid and non-assessable Series A-1 Preferred Shares of the Corporation, free and clear of all liens. The Common Shares issuable upon conversion of the Purchased Shares, have been duly authorized and reserved for issuance and, upon issuance in accordance with the terms of the Organizational Documents, will be validly issued, fully paid and non-assessable, free and clear of all liens.
- (e) **No Other Agreements to Purchase.** Except for the Investor's right under this Agreement and except for (i) the other Series A-1 Preferred Shares to be issued to each of Tom Folliard, Highland Consumer Fund I Limited Partnership, Highland Consumer Fund I-B Limited Partnership and Highland Consumer Entrepreneurs Fund I Limited Partnership, as of the date hereof, (ii) the Common Shares issuable upon the exercise of options or the issuance of restricted shares under the Equity Plan and (iii) any options or shares that may be issued to Mogey Inc. ("**Mogey**") pursuant to any settlement related to Mogey's claim against the Corporation, no person has any written or oral agreement, option or warrant or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming such for the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Corporation.
- (f) **Financial Statements.** The audited financial statements as of December 31, 2012 of the Corporation have been prepared in accordance with generally accepted accounting principles and fairly present in all material respects the financial condition and operating results of the Corporation as of such date, and for the period, indicated therein.
- (g) **No Conflict.** The execution, delivery and performance by the Corporation of this Agreement, in accordance with its terms, and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the Organizational Documents of the Corporation, (ii) violate any provision of law applicable to the Corporation, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party or by which any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, could not reasonably be expected to have a Material Adverse Effect.
- (h) **Government Regulation.** No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Governmental Authority is required on the part of the Corporation in connection with the consummation of the transactions contemplated by this Agreement.
- (i) **Compliance with Law.** Each of the Corporation and the Subsidiary is in compliance with all laws and regulations applicable to it and to its business and assets, the non-

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compliance with which, could, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect.

- (j) **Litigation.** There is no notice of infraction, action, suit or proceeding pending against (nor, to the knowledge of the Corporation, threatened against or in any other manner relating adversely to) the Corporation, the Subsidiary or any of their respective property in any court or before any arbitrator of any kind or before or by any Governmental Authority which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

4.1 Representations and Warranties of the Investor

The Investor does hereby represent and warrant to the Corporation as follows, and acknowledges and confirms that the Corporation is relying on such representations and warranties, notwithstanding any investigation by the Corporation:

- (a) **Authorization of this Agreement by the Investor.** The Investor has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by the authorized officers of the Investor. The obligations of the Investor under this Agreement constitute legal, valid and binding obligations of the Investor.
- (b) **No Conflict.** The execution, delivery and performance by the Investor of this Agreement in accordance with its terms and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the organizational documents of the Investor, (ii) violate any provision of law applicable to the Investor, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party or by which it or any of its property may be bound, except, in the case of (ii) and, for any such breach or default which, individually or in the aggregate, are not material.

- (c) **Acknowledgement.**
- (i) The Investor understands that (i) the issuance of the Purchased Shares by the Corporation is intended to be exempt from the prospectus and registration requirements of the Applicable Securities Laws, and (ii) there is no existing public or other market for the Purchased Shares.
- (ii) Solely for establishing that the offer, sale and issuance of the Purchased Shares pursuant to this Agreement are exempt from the registration requirements of the Applicable Securities Laws:
- A. The Investor understands that the Purchased Shares will be issued in a transaction exempt from the prospectus and registration requirements of the Applicable Securities Laws and that such securities may not be resold

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by the Investor in Canada and the United States except in compliance with such registration and prospectus requirements or subject to exemptions from such requirements;

- B. the Investor is aware that the Corporation is under no obligation to effect any such registration or file any registration with respect to the Purchased Shares (except solely to the extent, if, any, provided in the Investors Rights Agreement), to file a prospectus or to file for or comply with any exemption from such requirements;
- C. the Investor is purchasing the Purchased Shares to be acquired by the Investor hereunder for its own account and not with a view to, or for resale in connection with, the distribution thereof in violation of the Applicable Securities Laws; and
- D. the Investor is an Accredited Investor within the meaning of the National Instrument 45-106 Prospectus and Registration Exemptions and Regulations 45-106 respecting the Prospectus and Registration Exemptions in the Province of Quebec.

ARTICLE 5

INDEMNIFICATION

5.1 Indemnification by the Corporation in Favor of the Investor

The Corporation shall indemnify and save the Investor harmless from and against any Damages suffered by, imposed upon or asserted against the Investor, as a result of, in respect of, connected with, or arising out of, under or pursuant to:

- (a) any failure of the Corporation to perform or fulfill any of its covenants or agreements under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Corporation under Article 3.

5.2 Indemnification by the Investor in Favor of the Corporation

The Investor shall indemnify and save the Corporation harmless from and against any Damages suffered by, imposed upon or asserted against the Corporation, as a result of, in respect of, or arising out of, under or pursuant to:

- (a) any failure of the Investor to perform or fulfill any covenant or agreements of the investor under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Investor under Article 4.

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5.3 Time Limitations

- (a) The representations and warranties of the Corporation contained in this Agreement shall survive Closing and notwithstanding Closing and any investigation made by or on behalf of the Investor, shall survive Closing and continue in full force and effect without limitation of time.
- (b) The representations and warranties of the Investor contained in this Agreement shall survive Closing and, notwithstanding Closing and any investigation made by or on behalf of the Corporation, shall survive Closing and continue in full force and effect without limitation of time.

ARTICLE 6

MISCELLANEOUS

6.1 Further Assurances

From time to time after the Closing Date, each Party shall, at the request of any other Party, execute and deliver such additional conveyances, transfers and other assurances and do all such other acts or things as may be reasonably required to effectively carry out the purposes and intent of this Agreement.

6.2 Notices

All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed given if delivered personally, telecopied, sent by a Canadian nationally- recognized overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the Parties at the addresses set forth below or to such other address as the Party to whom notice is to be given may have furnished to the other Parties in writing in accordance with this Section 6.2. Any such notice or communication shall be deemed to have been delivered and received (a) in the case of personal delivery, on the date of such delivery, if such date is a Business Day, (b) in the case of telecopier, on the date sent if confirmation of receipt is received prior to 5:00 p.m. on that day and, if such date is a Business Day, (c) in the case of such a nationally-recognized overnight courier in circumstances under which such courier guarantees next Business

Day delivery, on the next Business Day after delivery and in the case of mailing, on the third Business Day following that on which the envelope containing such communication is posted:

(i) If to the Investor at:

5695 Ferrier Street
Mont-Royal (Québec)
H4P 1N1

Attention: Herschel Segal
Facsimile: (514) 738-3670

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(ii) If to the Corporation:

5430 Ferrier
Town of Mount Royal QC
H4P 1M2

Attention: Chief Executive Officer
Facsimile: (514) 739-0200

6.3 Time of the Essence

Time is of the essence of this Agreement.

6.4 Amendments

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by the Investor and the Corporation.

6.5 Waiver

No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) or a future waiver of the same provisions, nor shall such waiver be binding unless executed in writing by the Party to be bound by the waiver.

No failure on the part of any Party to exercise, and no delay in exercising any right under this Agreement shall operate as a waiver of such right, nor shall any single or partial exercise of any such right preclude any other or further exercise of such right or the exercise of any other right.

6.6 Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties.

6.7 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights or obligations under this Agreement shall be assignable or transferable by any of the Parties without the prior written consent of the other and any purported assignment or delegation in violation hereof shall be null and void.

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6.8 Severability

If any provision of this Agreement is determined by an arbitrator or any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall continue in full force and effect.

6.9 Governing Law

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Quebec and the federal laws of Canada applicable therein. Each Party hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the Province of Quebec.

6.10 Counterparts

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument.

6.11 Language

The Parties confirm that they have agreed that this Agreement and any other agreements and documents in relation thereto, be drafted in English only. *Les parties aux présentes confirment qu'elles ont accepté que la présente convention et toute autre convention et autre document s'y rapportant soit rédigés en anglais seulement.*

(Signatures follow on the next page)

SIGNED as of the date of this Agreement.

DAVIDSTEA INC.

Per: /s/ Jevin Eagle

Name: Jevin Eagle
Title: CEO

RAINY DAY INVESTMENTS LTD.

Per: /s/ Herschel Segal

Name:
Title:

SHARE SUBSCRIPTION AGREEMENT

Share Subscription Agreement dated March 21, 2014 between Highland Consumer Fund I Limited Partnership, Highland Consumer Fund I-B Limited Partnership and Highland Consumer Entrepreneurs Fund I Limited Partnership (collectively, the “**Investor**”) and DAVIDsTEA Inc. (the “**Corporation**”).

WHEREAS as of the date hereof, the authorized capital of the Corporation consists of (i) an unlimited number of Common Shares, (ii) 2,000,000 Class AA Common Shares and (iii) an unlimited number of Preferred Shares, issuable in series, of which the currently existing series consist of an authorized number of (a) 7,441,341 Junior Preferred Shares, (b) 4,003,724 Series A Preferred Shares and (c) 681,073 Series A-1 Preferred Shares (the “**Series A-1 Preferred Shares**”);

AND WHEREAS the Investor has agreed to subscribe for and purchase from the Corporation, on the Closing Date, a total of 42,357 Series A-1 Preferred Shares (the “**Purchased Shares**”) on the terms and conditions set forth herein and the Corporation wishes to accept said subscription (the “**Subscription**”).

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1 INTERPRETATION

1.1 Definitions

As used in this Agreement, the following capitalized terms and expressions have the following meanings unless the context otherwise requires:

- (a) “**Agreement**” means this subscription agreement and all instruments that amend or confirm this share subscription agreement; and the expressions “**Article**” and “**Section**” followed by a number mean and refer to the specified Article or Section of this Agreement.
 - (b) “**Applicable Securities Laws**” means all applicable securities laws in Canada and the United States, including statutes, rules, regulations, by-laws, policies, guidelines, orders, decisions, rulings and awards.
 - (c) “**Business Day**” means any day, excluding Saturday, Sunday and any other day which in Montreal, Province of Quebec, is a legal holiday or a day on which governmental and quasi-governmental entities are authorized by law or by local proclamation to close.
 - (d) “**Closing**” means the completion of the Subscription.
 - (e) “**Closing Date**” means March 21, 2014.
 - (f) “**Common Shares**” means the Common Shares of the Corporation.
-
- (g) “**Corporation**” has the meaning set out in the recitals of this Agreement.
 - (h) “**Damages**” means any and all losses, liabilities, damages, claims or expenses (whether or not involving a third-party claim) including reasonable legal expenses actually suffered or incurred by either Party, provided, however, that notwithstanding the foregoing, “**Damages**” shall not include any consequential, exemplary or punitive damages or any diminution in value.
 - (i) “**Equity Plan**” means the Amended and Restated Equity Incentive Plan adopted by the Corporation on April 3, 2012, as amended on February 24, 2014 and as further amended from time to time.
 - (j) “**Governmental Authority**” means any (i) multinational, federal, provincial, state, municipal, local or other governmental or public department, central bank, court, arbitral body with legal jurisdiction, commission, board, bureau, agency, ministry or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the foregoing or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.
 - (k) “**Investor**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (l) “**Investors Rights Agreement**” means that certain Amended and Restated Investors’ Rights Agreement, dated February 24, 2014, by and among the Corporation and the shareholders of the Corporation party thereto, as amended from time to time.
 - (m) “**Junior Preferred Shares**” means the Junior Preferred Shares of the Corporation.
 - (n) “**Material Adverse Effect**” means a materially adverse effect on (i) the business, operations, prospects, financial condition or liabilities (contingent or otherwise) of the Corporation on a consolidated basis, (ii) the ability of the Corporation on a consolidated basis to perform its obligations under this Agreement or (iii) the rights or benefits available to the Investor under this Agreement.
 - (o) “**Organizational Documents**” means, with respect to each of the Corporation and the Subsidiary, its certificate of incorporation, its by-laws, its partnership agreement, its memorandum and articles of association, articles of incorporation, continuation or amalgamation, share designations or similar organizational documents and all shareholder agreements, voting trusts and similar arrangements applicable to the Corporation or its Subsidiary.
 - (p) “**Parties**” means, collectively, the Investor and the Corporation and “**Party**” means any of them.
 - (q) “**Purchased Shares**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (r) “**Series A Preferred Shares**” means the Series A Preferred Shares of the Corporation.

- (s) “**Series A-1 Preferred Shares**” means the Series A-1 Preferred Shares of the Corporation.
- (t) “**Subscription**” has the meaning set out in the recitals at the beginning of this Agreement.
- (u) “**Subsidiary**” means DAVIDsTEA (USA) Inc.

1.2 Gender and Number

Any reference in this Agreement to gender includes all genders (including neuter) and words denoting the singular number only shall include the plural and *vice versa*.

1.3 Headings, Etc.

The provision of a table of contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and shall not affect the interpretation of this Agreement.

1.4 Certain Expressions, Etc.

In this Agreement, (i) the words “**includes**”, “**including**” and similar expressions mean “**include (or including) without limitation**”, and (ii) the phrases “**the aggregate of**”, the “**total of**”, the “**sum of**” and similar expressions mean the “**aggregate (or total or sum), without duplication, of**”.

1.5 Currency

All references in this Agreement to “**dollars**” or “**\$**” are expressed in lawful money of Canada, unless otherwise specifically indicated.

1.6 Legal Representation; No Presumption against any Party

Each Party acknowledges that it has been represented by counsel or has been given the opportunity to obtain counsel in connection with the negotiation and execution of this Agreement and that the terms of this Agreement have been negotiated by it. Any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement, against the Party that drafted it has no application and any such right is expressly waived by each Party.

1.7 Day Not a Business Day, Calculation of Delays

If an action is required to be taken hereunder no later than a day which is not a Business Day, then such action shall instead be required to be taken no later than the next succeeding Business Day.

If any action may be taken within, or any right or obligation is to expire at the end of, a period of days under this Agreement, then the day which is the reference day in calculating such period shall be excluded.

1.8 Recitals

The recitals herein shall form an integral part hereof.

ARTICLE 2 SECURITIES SUBSCRIPTION TERMS

2.1 Subscription

Subject to the terms of this Agreement, the Corporation agrees to issue to the Investor, and the Investor hereby agrees to subscribe for a total of 42,357 Series A-1 Preferred Shares, for a subscription price of \$9.05 per share payable in cash on the Closing Date, as follows:

- (i) 34,010 Series A-1 Preferred Shares to Highland Consumer Fund I Limited Partnership;
- (ii) 7,256 Series A-1 Preferred Shares to Highland Consumer Fund I-B Limited Partnership; and
- (iii) 1,091 Series A-1 Preferred Shares to Highland Consumer Entrepreneurs Fund I Limited Partnership.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

3.1 Representations and Warranties of the Corporation

The Corporation does hereby represent and warrant to the Investor as follows, and acknowledges and confirms that the Investor is relying on such representations and warranties, notwithstanding any investigation by the Investor:

- (a) **Existence.** Each of the Corporation and the Subsidiary is a corporation duly incorporated and validly existing and in good standing under the laws of its jurisdiction of incorporation and of all jurisdictions in which it carries on business and is in compliance with all provisions of its Organizational Documents and each of the Corporation and the Subsidiary has all requisite power and authority to own its property and to carry on its business as now being and hereafter proposed to be conducted.

- (b) **Capitalization.** The authorized and issued share capital of the Company consists, immediately prior to the Closing, of:
- (i) 2,000,000 Class AA Common Shares, none of which are issued and outstanding immediately prior to Closing;
 - (ii) an unlimited number of Common Shares, of which 32,514 Common Shares are issued and outstanding immediately prior to the Closing, and with respect to which options to purchase an aggregate amount of 1,374,675 Common Shares are currently issued and outstanding; and
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- (iii) (A) 7,441,341 Junior Preferred Shares, all of which are issued and outstanding, (B) 4,003,724 Series A Preferred Shares, all of which are issued and outstanding and (C) 681,073 Series A-1 Preferred Shares, of which 454,049 Series A-1 Preferred Shares are issued and outstanding immediately prior to the Closing.
- (c) **Authorization of this Agreement by the Corporation.** The Corporation has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by duly authorized officers of the Corporation. The obligations of the Corporation under this Agreement constitute legal valid and binding obligations of the Corporation. The Corporation has obtained all requisite consents and approvals in order to effect the transactions contemplated in this Agreement.
- (d) **Valid Issuance of the Purchased Shares.** The Purchased Shares, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement will be validly issued, fully paid and non-assessable Series A-1 Preferred Shares of the Corporation, free and clear of all liens. The Common Shares issuable upon conversion of the Purchased Shares, have been duly authorized and reserved for issuance and, upon issuance in accordance with the terms of the Organizational Documents, will be validly issued, fully paid and non-assessable, free and clear of all liens.
- (e) **No Other Agreements to Purchase.** Except for the Investor's right under this Agreement and except for (i) the other Series A-1 Preferred Shares to be issued to each of Tom Folliard and Rainy Day Investments Ltd., as of the date hereof (ii) the Common Shares issuable upon the exercise of options or the issuance of restricted shares under the Equity Plan and (iii) any options or shares that may be issued to Mogey Inc. ("Mogey") pursuant to any settlement related to Mogey's claim against the Corporation, no person has any written or oral agreement, option or warrant or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming such for the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Corporation.
- (f) **Financial Statements.** The audited financial statements as of December 31, 2012 of the Corporation have been prepared in accordance with generally accepted accounting principles and fairly present in all material respects the financial condition and operating results of the Corporation as of such date, and for the period, indicated therein.
- (g) **No Conflict.** The execution, delivery and performance by the Corporation of this Agreement, in accordance with its terms, and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the Organizational Documents of the Corporation, (ii) violate any provision of law applicable to the Corporation, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party or by which any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, could not reasonably be expected to have a Material Adverse Effect.

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- (h) **Government Regulation.** No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Governmental Authority is required on the part of the Corporation in connection with the consummation of the transactions contemplated by this Agreement.
- (i) **Compliance with Law.** Each of the Corporation and the Subsidiary is in compliance with all laws and regulations applicable to it and to its business and assets, the non-compliance with which, could, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect.
- (j) **Litigation.** There is no notice of infraction, action, suit or proceeding pending against (nor, to the knowledge of the Corporation, threatened against or in any other manner relating adversely to) the Corporation, the Subsidiary or any of their respective property in any court or before any arbitrator of any kind or before or by any Governmental Authority which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

4.1 Representations and Warranties of the Investor

The Investor does hereby represent and warrant to the Corporation as follows, and acknowledges and confirms that the Corporation is relying on such representations and warranties, notwithstanding any investigation by the Corporation:

- (a) **Authorization of this Agreement by the Investor.** The Investor has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by the authorized officers of the Investor. The obligations of the Investor under this Agreement constitute legal, valid and binding obligations of the Investor.
- (b) **No Conflict.** The execution, delivery and performance by the Investor of this Agreement in accordance with its terms and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the organizational documents of the Investor, (ii) violate any provision of law applicable to the Investor, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party or by which it or any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, individually or in the aggregate, are not material.

(c) Acknowledgement.

- (i) The Investor understands that (i) the issuance of the Purchased Shares by the Corporation is intended to be exempt from the prospectus and registration requirements of the Applicable Securities Laws, and (ii) there is no existing public or other market for the Purchased Shares.

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- (ii) Solely for establishing that the offer, sale and issuance of the Purchased Shares pursuant to this Agreement are exempt from the registration requirements of the Applicable Securities Laws:
- A. the Investor understands that the Purchased Shares will be issued in a transaction exempt from the prospectus and registration requirements of the Applicable Securities Laws and that such securities may not be resold by the Investor in Canada and the United States except in compliance with such registration and prospectus requirements or subject to exemptions from such requirements;
 - B. the Investor is aware that the Corporation is under no obligation to effect any such registration or file any registration with respect to the Purchased Shares (except solely to the extent, if, any, provided in the Investors Rights Agreement), to file a prospectus or to file for or comply with any exemption from such requirements;
 - C. the Investor is purchasing the Purchased Shares to be acquired by the Investor hereunder for its own account and not with a view to, or for resale in connection with, the distribution thereof in violation of the Applicable Securities Laws; and
 - D. the Investor is an Accredited Investor within the meaning of the National Instrument 45-106 Prospectus and Registration Exemptions and Regulations 45-106 respecting the Prospectus and Registration Exemptions in the Province of Quebec.

ARTICLE 5
INDEMNIFICATION

5.1 Indemnification by the Corporation in Favor of the Investor

The Corporation shall indemnify and save the Investor harmless from and against any Damages suffered by, imposed upon or asserted against the Investor, as a result of, in respect of, connected with, or arising out of, under or pursuant to:

- (a) any failure of the Corporation to perform or fulfill any of its covenants or agreements under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Corporation under Article 3.

5.2 Indemnification by the Investor in Favor of the Corporation

The Investor shall indemnify and save the Corporation harmless from and against any Damages suffered by, imposed upon or asserted against the Corporation, as a result of, in respect of, or arising out of, under or pursuant to:

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- (a) any failure of the Investor to perform or fulfill any covenant or agreements of the investor under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Investor under Article 4.

5.3 Time Limitations

- (a) The representations and warranties of the Corporation contained in this Agreement shall survive Closing and notwithstanding Closing and any investigation made by or on behalf of the Investor, shall survive Closing and continue in full force and effect without limitation of time.
- (b) The representations and warranties of the Investor contained in this Agreement shall survive Closing and, notwithstanding Closing and any investigation made by or on behalf of the Corporation, shall survive Closing and continue in full force and effect without limitation of time.

ARTICLE 6
MISCELLANEOUS

6.1 Further Assurances

From time to time after the Closing Date, each Party shall, at the request of any other Party, execute and deliver such additional conveyances, transfers and other assurances and do all such other acts or things as may be reasonably required to effectively carry out the purposes and intent of this Agreement.

6.2 Notices

All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed given if delivered personally, telecopied, sent by a Canadian nationally recognized overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the Parties at the addresses set forth below or to such other address as the Party to whom notice is to be given may have furnished to the other Parties in writing in accordance with this Section 6.2. Any such notice or communication shall be deemed to have been delivered and received (a) in the case of personal delivery, on the date of such delivery, if such date is a Business Day/ (b) in the case of telecopier, on the date sent if confirmation of receipt is received prior to 5:00p.m. on that day and, if such date is a Business Day, (c) in the case of such a nationally-recognized overnight courier in circumstances under which such courier guarantees next Business Day delivery, on the next Business Day after delivery and (d) in the case of mailing, on the third Business Day following that on which the envelope containing such communication is posted:

(i) If to the Investor at:

c/o Highland Capital Partners, LLP
1 Broadway, 16th floor
Cambridge, MA 02142
U.S.A.

Attention: Tom Sternberg
Facsimile:

(ii) If to the Corporation:

5430 Ferrier
Town of Mount Royal QC
H4P1M2

Attention: Chief Executive Officer
Facsimile: (514) 739-0200

6.3 Time of the Essence

Time is of the essence of this Agreement.

6.4 Amendments

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by the Investor and the Corporation.

6.5 Waiver

No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) or a future waiver of the same provisions, nor shall such waiver be binding unless executed in writing by the Party to be bound by the waiver.

No failure on the part of any Party to exercise, and no delay in exercising any right under this Agreement shall operate as a waiver of such right, nor shall any single or partial exercise of any such right preclude any other or further exercise of such right or the exercise of any other right.

6.6 Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties.

6.7 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights or obligations under this Agreement shall be assignable or transferable by any of the Parties without the prior written consent of the other and any purported assignment or delegation in violation hereof shall be null and void.

6.8 Severability

If any provision of this Agreement is determined by an arbitrator or any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall continue in full force and effect.

6.9 Governing Law

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Quebec and the federal laws of Canada applicable therein. Each Party hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the Province of Quebec.

6.10 Counterparts

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument.

6.11 Language

The Parties confirm that they have agreed that this Agreement and any other agreements and documents in relation thereto, be drafted in English only. *Les parties aux présentes confirment qu'elles ont accepté que la présente convention et toute autre convention et autre document s'y rapportant soit rédigés en anglais seulement.*

(Signatures follow on the next page)

SIGNED as of the date of this Agreement.

DAVIDSTEAM INC.

Per:

/s/ Jevin Eagle

Name: Jevin Eagle
Title: CEO

HIGHLAND CONSUMER FUND I LIMITED PARTNERSHIP, represented by its general partner, HIGHLAND CONSUMER GP LIMITED PARTNERSHIP, itself representing by its general partner, HIGHLAND CONSUMER GP GP LLC,

/s/ Authorized Person

Authorized Signatory

HIGHLAND CONSUMER FUND I-B LIMITED PARTNERSHIP, represented by its general partner, HIGHLAND CONSUMER GP LIMITED PARTNERSHIP, itself representing by its general partner, HIGHLAND CONSUMER GP GP LLC

/s/ Authorized Person

Authorized Signatory

HIGHLAND CONSUMER ENTREPRENEURS FUND I LIMITED PARTNERSHIP, represented by its general partner, HIGHLAND CONSUMER GP LIMITED PARTNERSHIP, itself representing by its general partner, HIGHLAND CONSUMER GP GP LLC

/s/ Authorized Person

Authorized Signatory

SHARE SUBSCRIPTION AGREEMENT

Share Subscription Agreement dated June 2, 2014 between Capital GVR Inc. (the “**Investor**”) and DAVIDsTEA Inc. (the “**Corporation**”).

WHEREAS as of the date hereof, the authorized capital of the Corporation consists of (i) an unlimited number of Common Shares, (ii) 2,000,000 Class AA Common Shares and (iii) an unlimited number of Preferred Shares, issuable in series, of which the currently existing series consist of an authorized number of (a) 7,441,341 Junior Preferred Shares, (b) 4,003,724 Series A Preferred Shares and (c) 912,689 Series A-1 Preferred Shares (the “**Series A-1 Preferred Shares**”);

AND WHEREAS the Investor has agreed to subscribe for and purchase from the Corporation, on the Closing Date, 1,856 Series A-1 Preferred Shares (the “**Purchased Shares**”) on the terms and conditions set forth herein, and the Corporation wishes to accept said subscription (the “**Subscription**”).

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1 INTERPRETATION

1.1. Definitions

As used in this Agreement, the following capitalized terms and expressions have the following meanings unless the context otherwise requires:

- (a) “**Agreement**” means this subscription agreement and all instruments that amend or confirm this share subscription agreement; and the expressions “**Article**” and “**Section**” followed by a number mean and refer to the specified Article or Section of this Agreement.
 - (b) “**Applicable Securities Laws**” means all applicable securities laws in Canada and the United States, including statutes, rules, regulations, by-laws, policies, guidelines, orders, decisions, rulings and awards.
 - (c) “**Business Day**” means any day, excluding Saturday, Sunday and any other day which in Montreal, Province of Quebec, is a legal holiday or a day on which governmental and quasi-governmental entities are authorized by law or by local proclamation to close.
 - (d) “**Closing**” means the completion of the Subscription.
 - (e) “**Closing Date**” means June 2, 2014.
 - (f) “**Common Shares**” means the Common Shares of the Corporation.
 - (g) “**Corporation**” has the meaning set out in the recitals of this Agreement.
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- (h) “**Damages**” means any and all losses, liabilities, damages, claims or expenses (whether or not involving a third-party claim) including reasonable legal expenses actually suffered or incurred by either Party, provided, however, that notwithstanding the foregoing, “**Damages**” shall not include any consequential, exemplary or punitive damages or any diminution in value.
 - (i) “**Equity Plan**” means the Amended and Restated Equity Incentive Plan adopted by the Corporation on April 3, 2012, as amended on February 24, 2014 and as further amended from time to time.
 - (j) “**Governmental Authority**” means any (i) multinational, federal, provincial, state, municipal, local or other governmental or public department, central bank, court, arbitral body with legal jurisdiction, commission, board, bureau, agency, ministry or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the foregoing or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.
 - (k) “**Investor**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (l) “**Investors Rights Agreement**” means that certain Amended and Restated Investors’ Rights Agreement, dated February 24, 2014, by and among the Corporation and the shareholders of the Corporation party thereto, as amended from time to time.
 - (m) “**Junior Preferred Shares**” means the Junior Preferred Shares of the Corporation.
 - (n) “**Material Adverse Effect**” means a materially adverse effect on (i) the business, operations, prospects, financial condition or liabilities (contingent or otherwise) of the Corporation on a consolidated basis, (ii) the ability of the Corporation on a consolidated basis to perform its obligations under this Agreement or (iii) the rights or benefits available to the Investor under this Agreement.
 - (o) “**Organizational Documents**” means, with respect to each of the Corporation and the Subsidiary, its certificate of incorporation, its by-laws, its partnership agreement, its memorandum and articles of association, articles of incorporation, continuation or amalgamation, share designations or similar organizational documents and all shareholder agreements, voting trusts and similar arrangements applicable to the Corporation or its Subsidiary.
 - (p) “**Parties**” means, collectively, the Investor and the Corporation and “**Party**” means any of them.
 - (q) “**Purchased Shares**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (r) “**Series A Preferred Shares**” means the Series A Preferred Shares of the Corporation.
 - (s) “**Series A-1 Preferred Shares**” means the Series A-1 Preferred Shares of the Corporation.

- (t) “**Subscription**” has the meaning set out in the recitals at the beginning of this Agreement.
- (u) “**Subsidiary**” means DAVIDsTEA (USA) Inc.

1.2. Gender and Number

Any reference in this Agreement to gender includes all genders (including neuter) and words denoting the singular number only shall include the plural and *vice versa*.

1.3. Headings, Etc.

The provision of a table of contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and shall not affect the interpretation of this Agreement.

1.4. Certain Expressions, Etc.

In this Agreement, (i) the words “**includes**”, “**including**” and similar expressions mean “**include (or including) without limitation**”, and (ii) the phrases “**the aggregate of**”, the “**total of**”, the “**sum of**” and similar expressions mean the “**aggregate (or total or sum), without duplication, of**”.

1.5. Currency

All references in this Agreement to “**dollars**” or to “**\$**” are expressed in lawful money of Canada, unless otherwise specifically indicated.

1.6. Legal Representation; No Presumption against any Party

Each Party acknowledges that it has been represented by counsel or has been given the opportunity to obtain counsel in connection with the negotiation and execution of this Agreement and that the terms of this Agreement have been negotiated by it. Any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement, against the Party that drafted it has no application and any such right is expressly waived by each Party.

1.7. Day Not a Business Day, Calculation of Delays

If an action is required to be taken hereunder no later than a day which is not a Business Day, then such action shall instead be required to be taken no later than the next succeeding Business Day.

If any action may be taken within, or any right or obligation is to expire at the end of, a period of days under this Agreement, then the day which is the reference day in calculating such period shall be excluded.

1.8. Recitals

The recitals herein shall form an integral part hereof.

ARTICLE 2 SECURITIES SUBSCRIPTION TERMS

2.1. Subscription

Subject to the terms of this Agreement, the Corporation agrees to issue to the Investor, and the Investor hereby agrees to subscribe for 1,856 Series A-1 Preferred Shares, for a subscription price of \$9.05 per share payable in cash on the Closing Date.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

3.1. Representations and Warranties of the Corporation

The Corporation does hereby represent and warrant to the Investor as follows, and acknowledges and confirms that the Investor is relying on such representations and warranties, notwithstanding any investigation by the Investor:

- (a) **Existence.** Each of the Corporation and the Subsidiary is a corporation duly incorporated and validly existing and in good standing under the laws of its jurisdiction of incorporation and of all jurisdictions in which it carries on business and is in compliance with all provisions of its Organizational Documents and each of the Corporation and the Subsidiary has all requisite power and authority to own its property and to carry on its business as now being and hereafter proposed to be conducted.
- (b) **Capitalization.** The authorized and issued share capital of the Company consists, immediately prior to the Closing, of:
- (i) 2,000,000 Class AA Common Shares, none of which are issued and outstanding immediately prior to the Closing and with respect to which options to purchase an aggregate amount of 125,000 Class AA Common Shares are currently issued and outstanding;

- (ii) an unlimited number of Common Shares, of which 33,764 Common Shares are issued and outstanding immediately prior to the Closing, and with respect to which options to purchase an aggregate amount of 1,373,425 Common Shares are currently issued and outstanding; and
 - (iii) (A) 7,441,341 Junior Preferred Shares, all of which are issued and outstanding, (B) 4,003,724 Series A Preferred Shares, all of which are issued and outstanding and (C) 912,689 Series A-1 Preferred Shares, of which 681,073 Series A-1 Preferred Shares are issued and outstanding immediately prior to the Closing.
- (c) **Authorization of this Agreement by the Corporation.** The Corporation has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by duly authorized officers of the Corporation. The obligations of the Corporation under this Agreement constitute legal,

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valid and binding obligations of the Corporation. The Corporation has obtained all requisite consents and approvals in order to effect the transactions contemplated in this Agreement.

- (d) **Valid Issuance of the Purchased Shares.** The Purchased Shares, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be validly issued, fully paid and non-assessable Series A-1 Preferred Shares of the Corporation, free and clear of all liens. The Common Shares issuable upon conversion of the Purchased Shares, have been duly authorized and reserved for issuance and, upon issuance in accordance with the terms of the Organizational Documents, will be validly issued, fully paid and non-assessable, free and clear of all liens.
- (e) **No Other Agreements to Purchase.** Except for the Investor's right under this Agreement and except for (i) the other Series A-1 Preferred Shares to be issued to each of 9222-2116 Quebec Inc., Rainy Day Investments Ltd., Thomas J. Folliard, IV Marital Deduction Trust uad 8/1/2011, Highland Consumer Fund I Limited Partnership, Highland Consumer Fund I-B Limited Partnership and Highland Consumer Entrepreneurs Fund I Limited Partnership, as of the date hereof, (ii) the Common Shares and Class AA Common Shares issuable upon the exercise of options or the issuance of restricted shares under the Equity Plan and (iv) any options or shares that may be issued to Mogey Inc. ("**Mogey**") pursuant to any settlement related to Mogey's claim against the Corporation, no person has any written or oral agreement, option or warrant or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming such for the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Corporation.
- (f) **Financial Statements.** The audited financial statements as of December 31, 2013 of the Corporation have been prepared in accordance with generally accepted accounting principles and fairly present in all material respects the financial condition and operating results of the Corporation as of such date, and for the period, indicated therein.
- (g) **No Conflict.** The execution, delivery and performance by the Corporation of this Agreement, in accordance with its terms, and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the Organizational Documents of the Corporation, (ii) violate any provision of law applicable to the Corporation, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party or by which any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, could not reasonably be expected to have a Material Adverse Effect.
- (h) **Government Regulation.** No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Governmental Authority is required on the part of the Corporation in connection with the consummation of the transactions contemplated by this Agreement.
- (i) **Compliance with Law.** Each of the Corporation and the Subsidiary is in compliance with all laws and regulations applicable to it and to its business and assets, the non-

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compliance with which, could, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect.

- (j) **Litigation.** There is no notice of infraction, action, suit or proceeding pending against (nor, to the knowledge of the Corporation, threatened against or in any other manner relating adversely to) the Corporation, the Subsidiary or any of their respective property in any court or before any arbitrator of any kind or before or by any Governmental Authority which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

4.1. Representations and Warranties of the Investor

The Investor does hereby represent and warrant to the Corporation as follows, and acknowledges and confirms that the Corporation is relying on such representations and warranties, notwithstanding any investigation by the Corporation:

- (a) **Ownership.** Pierre Michaud is and will be the sole beneficial and registered owner of all the issued and outstanding shares of the Investor as long as the Investor holds any shares of the Corporation.
- (b) **Authorization of this Agreement by the Investor.** The Investor has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by the authorized officers of the Investor. The obligations of the Investor under this Agreement constitute legal, valid and binding obligations of the Investor.
- (c) **No Conflict.** The execution, delivery and performance by the Investor of this Agreement in accordance with its terms and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the organizational documents of the Investor, (ii) violate any provision of law applicable to the Investor, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party

or by which it or any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, individually or in the aggregate, are not material.

(d) **Acknowledgement.**

- (i) The Investor understands that (i) the issuance of the Purchased Shares by the Corporation is intended to be exempt from the prospectus and registration requirements of the Applicable Securities Laws, and (ii) there is no existing public or other market for the Purchased Shares.

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- (ii) Solely for establishing that the offer, sale and issuance of the Purchased Shares pursuant to this Agreement are exempt from the registration requirements of the Applicable Securities Laws:
- A. the Investor understands that the Purchased Shares will be issued in a transaction exempt from the prospectus and registration requirements of the Applicable Securities Laws and that such securities may not be resold by the Investor in Canada and the United States except in compliance with such registration and prospectus requirements or subject to exemptions from such requirements;
 - B. the Investor is aware that the Corporation is under no obligation to effect any such registration or file any registration with respect to the Purchased Shares (except solely to the extent, if, any, provided in the Investors Rights Agreement), to file a prospectus or to file for or comply with any exemption from such requirements;
 - C. the Investor is purchasing the Purchased Shares to be acquired by the Investor hereunder for its own account and not with a view to, or for resale in connection with, the distribution thereof in violation of the Applicable Securities Laws; and
 - D. the Investor is an Accredited Investor within the meaning of the National Instrument 45-106 Prospectus and Registration Exemptions and Regulations 45-106 respecting the Prospectus and Registration Exemptions in the Province of Quebec.

ARTICLE 5
INDEMNIFICATION

5.1. Indemnification by the Corporation in Favor of the Investor

The Corporation shall indemnify and save the Investor harmless from and against any Damages suffered by, imposed upon or asserted against the Investor, as a result of, in respect of, connected with, or arising out of, under or pursuant to:

- (a) any failure of the Corporation to perform or fulfill any of its covenants or agreements under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Corporation under Article 3.

5.2. Indemnification by the Investor in Favor of the Corporation

The Investor shall indemnify and save the Corporation harmless from and against any Damages suffered by, imposed upon or asserted against the Corporation, as a result of, in respect of, or arising out of, under or pursuant to:

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- (a) any failure of the Investor to perform or fulfill any covenant or agreements of the investor under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Investor under Article 4.

5.3. Time Limitations

- (a) The representations and warranties of the Corporation contained in this Agreement shall survive Closing and notwithstanding Closing and any investigation made by or on behalf of the Investor, shall survive Closing and continue in full force and effect without limitation of time.
- (b) The representations and warranties of the Investor contained in this Agreement shall survive Closing and, notwithstanding Closing and any investigation made by or on behalf of the Corporation, shall survive Closing and continue in full force and effect without limitation of time.

ARTICLE 6
MISCELLANEOUS

6.1. Further Assurances

From time to time after the Closing Date, each Party shall, at the request of any other Party, execute and deliver such additional conveyances, transfers and other assurances and do all such other acts or things as may be reasonably required to effectively carry out the purposes and intent of this Agreement.

6.2. Notices

All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed given if delivered personally, telecopied, sent by a Canadian nationally- recognized overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the Parties at the addresses set forth below or to such other address as the Party to whom notice is to be given may have furnished to the other Parties in writing in accordance with this Section 6.2. Any such notice or communication shall be deemed to have been delivered and received (a) in the case of personal delivery, on the date of such delivery, if such date is a Business Day, (b) in the case of telecopier, on the date sent if confirmation of receipt is received prior to 5:00 p.m. on that day and, if such date is a Business Day, (c) in the case of such a nationally-recognized overnight courier in circumstances under which such courier guarantees next Business

(i) If to the Investor at:

Attention: Pierre Michaud
Facsimile:

(ii) If to the Corporation:

5430 Ferrier
Town of Mount Royal QC
H4P1M2

Attention: Chief Executive Officer
Facsimile: (514) 739-0200

6.3. Time of the Essence

Time is of the essence of this Agreement.

6.4. Amendments

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by the Investor and the Corporation.

6.5. Waiver

No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) or a future waiver of the same provisions, nor shall such waiver be binding unless executed in writing by the Party to be bound by the waiver.

No failure on the part of any Party to exercise, and no delay in exercising any right under this Agreement shall operate as a waiver of such right, nor shall any single or partial exercise of any such right preclude any other or further exercise of such right or the exercise of any other right.

6.6. Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties.

6.7. Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights or

obligations under this Agreement shall be assignable or transferable by any of the Parties without the prior written consent of the other and any purported assignment or delegation in violation hereof shall be null and void.

6.8. Severability

If any provision of this Agreement is determined by an arbitrator or any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall continue in full force and effect.

6.9. Governing Law

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Quebec and the federal laws of Canada applicable therein. Each Party hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the Province of Quebec.

6.10. Counterparts

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument.

6.11. Language

The Parties confirm that they have agreed that this Agreement and any other agreements and documents in relation thereto, be drafted in English only. *Les parties aux présentes confirment qu'elles ont accepté que la présente convention et toute autre convention et autre document s'y rapportant soit rédigés en anglais seulement.*

(Signatures follow on the next page)

SIGNED as of the date of this Agreement.

DAVIDsTEA INC.

Per:

/s/ Pierre Michaud

Name:
Title:

CAPITAL GVR INC.

Per:

/s/ Pierre Michaud

Name: Pierre Michaud
Title:

SHARE SUBSCRIPTION AGREEMENT

Share Subscription Agreement dated June 2, 2014 between Rainy Day Investments Ltd. (the “**Investor**”) and DAVIDsTEA Inc. (the “**Corporation**”).

WHEREAS as of the date hereof, the authorized capital of the Corporation consists of (i) an unlimited number of Common Shares, (ii) 2,000,000 Class AA Common Shares and (iii) an unlimited number of Preferred Shares, issuable in series, of which the currently existing series consist of an authorized number of (a) 7,441,341 Junior Preferred Shares, (b) 4,003,724 Series A Preferred Shares and (c) 912,689 Series A-1 Preferred Shares (the “**Series A-1 Preferred Shares**”);

AND WHEREAS the Investor has agreed to subscribe for and purchase from the Corporation, on the Closing Date, 130,780 Series A-1 Preferred Shares (the “**Purchased Shares**”) on the terms and conditions set forth herein and the Corporation wishes to accept said subscription (the “**Subscription**”).

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1 INTERPRETATION

1.1 Definitions

As used in this Agreement, the following capitalized terms and expressions have the following meanings unless the context otherwise requires:

- (a) “**Agreement**” means this subscription agreement and all instruments that amend or confirm this share subscription agreement; and the expressions “**Article**” and “**Section**” followed by a number mean and refer to the specified Article or Section of this Agreement.
 - (b) “**Applicable Securities Laws**” means all applicable securities laws in Canada and the United States, including statutes, rules, regulations, by-laws, policies, guidelines, orders, decisions, rulings and awards.
 - (c) “**Business Day**” means any day, excluding Saturday, Sunday and any other day which in Montréal, Province of Quebec, is a legal holiday or a day on which governmental and quasi-governmental entities are authorized by law or by local proclamation to close.
 - (d) “**Closing**” means the completion of the Subscription.
 - (e) “**Closing Date**” means June 2, 2014.
 - (f) “**Common Shares**” means the Common Shares of the Corporation.
 - (g) “**Corporation**” has the meaning set out in the recitals of this Agreement.
-
- (h) “**Damages**” means any and all losses, liabilities, damages, claims or expenses (whether or not involving a third-party claim) including reasonable legal expenses actually suffered or incurred by either Party, provided, however, that notwithstanding the foregoing, “**Damages**” shall not include any consequential, exemplary or punitive damages or any diminution in value,
 - (i) “**Equity Plan**” means the Amended and Restated Equity Incentive Plan adopted by the Corporation on April 3, 2012, as amended on February 24, 2014 and as further amended from time to time.
 - (j) “**Governmental Authority**” means any (i) multinational, federal, provincial, state, municipal, local or other governmental or public department, central bank, court, arbitral body with legal jurisdiction, commission, board, bureau, agency, ministry or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the foregoing or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.
 - (k) “**Investor**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (l) “**Investors Rights Agreement**” means that certain Amended and Restated Investors’ Rights Agreement, dated February 24, 2014, by and among the Corporation and the shareholders of the Corporation party thereto, as amended from time to time.
 - (m) “**Junior Preferred Shares**” means the Junior Preferred Shares of the Corporation.
 - (n) “**Material Adverse Effect**” means a materially adverse effect on (i) the business, operations, prospects, financial condition or liabilities (contingent or otherwise) of the Corporation on a consolidated basis, (ii) the ability of the Corporation on a consolidated basis to perform its obligations under this Agreement or (iii) the rights or benefits available to the Investor under this Agreement.
 - (o) “**Organizational Documents**” means, with respect to each of the Corporation and the Subsidiary, its certificate of incorporation, its by-laws, its partnership agreement, its memorandum and articles of association, articles of incorporation, continuation or amalgamation, share designations or similar organizational documents and all shareholder agreements, voting trusts and similar arrangements applicable to the Corporation or its Subsidiary.
 - (p) “**Parties**” means, collectively, the Investor and the Corporation and “**Party**” means any of them.
 - (q) “**Purchased Shares**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (r) “**Series A Preferred Shares**” means the Series A Preferred Shares of the Corporation.
 - (s) “**Series A-1 Preferred Shares**” means the Series A-1 Preferred Shares of the Corporation.

- (t) “**Subscription**” has the meaning set out in the recitals at the beginning of this Agreement.
- (u) “**Subsidiary**” means DAVIDsTEA (USA) Inc.

1.2 Gender and Number

Any reference in this Agreement to gender includes all genders (including neuter) and words denoting the singular number only shall include the plural and *vice versa*,

1.3 Headings, Etc.

The provision of a table of contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and shall not affect the interpretation of this Agreement.

1.4 Certain Expressions, Etc.

In this Agreement, (i) the words “**includes**”, “**including**” and similar expressions mean “**include (or including) without limitation**”, and (ii) the phrases “**the aggregate of**”, the “**total of**”, the “**sum of**” and similar expressions mean the “**aggregate (or total or sum), without duplication, of**”.

1.5 Currency

All references in this Agreement to “**dollars**” or to “**\$**” are expressed in lawful money of Canada, unless otherwise specifically indicated.

1.6 Legal Representation; No Presumption against any Party

Each Party acknowledges that it has been represented by counsel or has been given the opportunity to obtain counsel in connection with the negotiation and execution of this Agreement and that the terms of this Agreement have been negotiated by it. Any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement, against the Party that drafted it has no application and any such right is expressly waived by each Party.

1.7 Day Not a Business Day, Calculation of Delays

If an action is required to be taken hereunder no later than a day which is not a Business Day, then such action shall instead be required to be taken no later than the next succeeding Business Day.

If any action may be taken within, or any right or obligation is to expire at the end of, a period of days under this Agreement, then the day which is the reference day in calculating such period shall be excluded.

1.8 Recitals

The recitals herein shall form an integral part hereof.

ARTICLE 2 SECURITIES SUBSCRIPTION TERMS

2.1 Subscription

Subject to the terms of this Agreement, the Corporation agrees to issue to the Investor, and the Investor hereby agrees to subscribe for 130,780 Series A-1 Preferred Shares, for a subscription price of \$9.05 per share payable, on the Closing Date, by a set-off of \$1,183,559 against the loan agreement entered into between the Corporation and the Investor on April 3, 2012 (the “**Loan Agreement**”). The Corporation acknowledges that the remaining debt remains payable in accordance with the terms of the Loan Agreement.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

3.1 Representations and Warranties of the Corporation

The Corporation does hereby represent and warrant to the Investor as follows, and acknowledges and confirms that the Investor is relying on such representations and warranties, notwithstanding any investigation by the Investor:

- (a) **Existence.** Each of the Corporation and the Subsidiary is a corporation duly incorporated and validly existing and in good standing under the laws of its jurisdiction of incorporation and of all jurisdictions in which it carries on business and is in compliance with all provisions of its Organizational Documents and each of the Corporation and the Subsidiary has all requisite power and authority to own its property and to carry on its business as now being and hereafter proposed to be conducted.
- (b) **Capitalization.** The authorized and issued share capital of the Company consists, immediately prior to the Closing, of:
- (i) 2,000,000 Class AA Common Shares, none of which are issued and outstanding immediately prior to the Closing and with respect to which options to purchase an aggregate amount of 125,000 Class AA Common Shares are currently issued and outstanding;

- (ii) an unlimited number of Common Shares, of which 33,764 Common Shares are issued and outstanding immediately prior to the Closing, and with respect to which options to purchase an aggregate amount of 1,373,425 Common Shares are currently issued and outstanding; and
 - (iii) (A) 7,441,341 Junior Preferred Shares, all of which are issued and outstanding, (B) 4,003,724 Series A Preferred Shares, all of which are issued and outstanding and (C) 912,689 Series A-1 Preferred Shares, of which 681,073 Series A-1 Preferred Shares are issued and outstanding immediately prior to the Closing.
- (c) **Authorization of this Agreement by the Corporation.** The Corporation has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in

accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by duly authorized officers of the Corporation. The obligations of the Corporation under this Agreement constitute legal, valid and binding obligations of the Corporation. The Corporation has obtained all requisite consents and approvals in order to effect the transactions contemplated in this Agreement.

- (d) **Valid Issuance of the Purchased Shares.** The Purchased Shares, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be validly issued, fully paid and non-assessable Series A-1 Preferred Shares of the Corporation, free and clear of all liens. The Common Shares issuable upon conversion of the Purchased Shares, have been duly authorized and reserved for issuance and, upon issuance in accordance with the terms of the Organizational Documents, will be validly issued, fully paid and non-assessable, free and clear of all liens.
- (e) **No Other Agreements to Purchase.** Except for the Investor's right under this Agreement and except for (i) the other Series A-1 Preferred Shares to be issued to each of 9222-2116 Québec Inc., Capital GVR Inc., Thomas J. Folliard, IV Marital Deduction Trust uad 8/1/2011, Highland Consumer Fund I Limited Partnership, Highland Consumer Fund I-B Limited Partnership and Highland Consumer Entrepreneurs Fund I Limited Partnership, as of the date hereof, (ii) the Common Shares and Class AA Common Shares issuable upon the exercise of options or the issuance of restricted shares under the Equity Plan and (iii) any options or shares that may be issued to Mogey Inc. ("**Mogey**") pursuant to any settlement related to Mogey's claim against the Corporation, no person has any written or oral agreement, option or warrant or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming such for the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Corporation.
- (f) **Financial Statements.** The audited financial statements as of December 31, 2013 of the Corporation have been prepared in accordance with generally accepted accounting principles and fairly present in all material respects the financial condition and operating results of the Corporation as of such date, and for the period, indicated therein.
- (g) **No Conflict.** The execution, delivery and performance by the Corporation of this Agreement, in accordance with its terms, and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the Organizational Documents of the Corporation, (ii) violate any provision of law applicable to the Corporation, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party or by which any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, could not reasonably be expected to have a Material Adverse Effect.
- (h) **Government Regulation.** No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Governmental Authority is required on the part of the Corporation in connection with the consummation of the transactions contemplated by this Agreement.

- (i) **Compliance with Law.** Each of the Corporation and the Subsidiary is in compliance with all laws and regulations applicable to it and to its business and assets, the non-compliance with which, could, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect.
- (j) **Litigation.** There is no notice of infraction, action, suit or proceeding pending against (nor, to the knowledge of the Corporation, threatened against or in any other manner relating adversely to) the Corporation, the Subsidiary or any of their respective property in any court or before any arbitrator of any kind or before or by any Governmental Authority which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

4.1 Representations and Warranties of the Investor

The Investor does hereby represent and warrant to the Corporation as follows, and acknowledges and confirms that the Corporation is relying on such representations and warranties, notwithstanding any investigation by the Corporation:

- (a) **Authorization of this Agreement by the Investor.** The Investor has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by the authorized officers of the Investor. The obligations of the Investor under this Agreement constitute legal, valid and binding obligations of the Investor.
- (b) **No Conflict.** The execution, delivery and performance by the Investor of this Agreement in accordance with its terms and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the organizational documents of the Investor, (ii) violate any provision of law applicable to the Investor, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party or by which it or any of its property may be bound, except, in the case of (ii) and (iii) for any such breach or default which, individually or in the aggregate, are not material.
- (c) **Acknowledgement.**

- (i) The Investor understands that (i) the issuance of the Purchased Shares by the Corporation is intended to be exempt from the prospectus and registration requirements of the Applicable Securities Laws, and (ii) there is no existing public or other market for the Purchased Shares.
- (ii) Solely for establishing that the offer, sale and issuance of the Purchased Shares pursuant to this Agreement are exempt from the registration requirements of the Applicable Securities Laws:

- A. the Investor understands that the Purchased Shares will be issued in a transaction exempt from the prospectus and registration requirements of the Applicable Securities Laws and that such securities may not be resold by the Investor in Canada and the United States except in compliance with such registration and prospectus requirements or subject to exemptions from such requirements;
- B. the Investor is aware that the Corporation is under no obligation to effect any such registration or file any registration with respect to the Purchased Shares (except solely to the extent, if, any, provided in the Investors Rights Agreement), to file a prospectus or to file for or comply with any exemption from such requirements;
- C. the Investor is purchasing the Purchased Shares to be acquired by the Investor hereunder for its own account and not with a view to, or for resale in connection with, the distribution thereof in violation of the Applicable Securities Laws; and
- D. the Investor is an Accredited Investor within the meaning of the National Instrument 45-106 Prospectus and Registration Exemptions and Regulations 45-106 respecting the Prospectus and Registration Exemptions in the Province of Québec.

ARTICLE 5

INDEMNIFICATION

5.1 Indemnification by the Corporation in Favor of the Investor

The Corporation shall indemnify and save the Investor harmless from and against any Damages suffered by, imposed upon or asserted against the Investor, as a result of, in respect of, connected with, or arising out of, under or pursuant to:

- (a) any failure of the Corporation to perform or fulfill any of its covenants or agreements under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Corporation under Article 3.

5.2 Indemnification by the Investor in Favor of the Corporation

The Investor shall indemnify and save the Corporation harmless from and against any Damages suffered by, imposed upon or asserted against the Corporation, as a result of, in respect of, or arising out of, under or pursuant to:

- (a) any failure of the Investor to perform or fulfill any covenant or agreements of the investor under this Agreement at any time; and

- (b) any breach or inaccuracy of any representation or warranty given by the Investor under Article 4.

5.3 Time Limitations

- (a) The representations and warranties of the Corporation contained in this Agreement shall survive Closing and notwithstanding Closing and any investigation made by or on behalf of the Investor, shall survive Closing and continue in full force and effect without limitation of time.
- (b) The representations and warranties of the Investor contained in this Agreement shall survive Closing and, notwithstanding Closing and any investigation made by or on behalf of the Corporation, shall survive Closing and continue in full force and effect without limitation of time.

ARTICLE 6

MISCELLANEOUS

6.1 Further Assurances

From time to time after the Closing Date, each Party shall, at the request of any other Party, execute and deliver such additional conveyances, transfers and other assurances and do all such other acts or things as may be reasonably required to effectively carry out the purposes and intent of this Agreement,

6.2 Notices

All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed given if delivered personally, telecopied, sent by a Canadian nationally- recognized overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the Parties at the addresses set forth below or to such other address as the Party to whom notice is to be given may have furnished to the other Parties in writing in accordance with this Section 6.2. Any such notice or communication shall be deemed to have been delivered and received (a) in the case of personal delivery, on the date of such delivery, if such date is a Business Day, (b) in the case of telecopier, on the date sent if confirmation of receipt is received prior to 5:00 p.m. on that day and, if such date is a Business Day, (c) in the case of such a nationally-recognized overnight courier in circumstances under which such courier guarantees next Business Day delivery, on the next Business Day after delivery and in the case of mailing, on the third Business Day following that on which the envelope containing such communication is posted:

- (i) If to the Investor at:

Facsimile: (514) 738-3670

(ii) If to the Corporation:

5430 Ferrier
Town of Mount Royal QC
H4P 1M2

Attention: Chairman of the Board
Facsimile: (514) 739-0200

6.3 Time of the Essence

Time is of the essence of this Agreement

6.4 Amendments

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by the Investor and the Corporation.

6.5 Waiver

No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) or a future waiver of the same provisions, nor shall such waiver be binding unless executed in writing by the Party to be bound by the waiver.

No failure on the part of any Party to exercise, and no delay in exercising any right under this Agreement shall operate as a waiver of such right, nor shall any single or partial exercise of any such right preclude any other or further exercise of such right or the exercise of any other right.

6.6 Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties.

6.7 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights or obligations under this Agreement shall be assignable or transferable by any of the Parties without the prior written consent of the other and any purported assignment or delegation in violation hereof shall be null and void.

6.8 Severability

If any provision of this Agreement is determined by an arbitrator or any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall continue in full force and effect.

6.9 Governing Law

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Quebec and the federal laws of Canada applicable therein. Each Party hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the Province of Quebec,

6.10 Counterparts

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument.

6.11 Language

The Parties confirm that they have agreed that this Agreement and any other agreements and documents in relation thereto, be drafted in English only.
Les parties aux présentes confirment qu'elles ont accepté que la présente convention et toute autre convention et autre document s'y rapportant soit rédigés en anglais seulement.

(Signatures follow on the next page)

SIGNED as of the date of this Agreement.

DAVIDSTEA INC.

Per:

/s/ Pierre Michaud

Name:

Title:

RAINY DAY INVESTMENTS LTD.

Per:

/s/ Authorized Signatory

Name:

Title:

SHARE SUBSCRIPTION AGREEMENT

Share Subscription Agreement dated June 2, 2014 between 9222-2116 Québec Inc. (the “**Investor**”) and DAVIDsTEA Inc. (the “**Corporation**”).

WHEREAS as of the date hereof, the authorized capital of the Corporation consists of (i) an unlimited number of Common Shares, (ii) 2,000,000 Class AA Common Shares and (iii) an unlimited number of Preferred Shares, issuable in series, of which the currently existing series consist of an authorized number of (a) 7,441,341 Junior Preferred Shares, (b) 4,003,724 Series A Preferred Shares and (c) 912,689 Series A-1 Preferred Shares (the “**Series A-1 Preferred Shares**”);

AND WHEREAS the Investor has agreed to subscribe for and purchase from the Corporation, on the Closing Date, 55,249 Series A-1 Preferred Shares (the “**Purchased Shares**”) on the terms and conditions set forth herein and the Corporation wishes to accept said subscription (the “**Subscription**”).

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1 INTERPRETATION

1.1 Definitions

As used in this Agreement, the following capitalized terms and expressions have the following meanings unless the context otherwise requires:

- (a) “**Agreement**” means this subscription agreement and all instruments that amend or confirm this share subscription agreement; and the expressions “**Article**” and “**Section**” followed by a number mean and refer to the specified Article or Section of this Agreement.
 - (b) “**Applicable Securities Laws**” means all applicable securities laws in Canada and the United States, including statutes, rules, regulations, by-laws, policies, guidelines, orders, decisions, rulings and awards.
 - (c) “**Business Day**” means any day, excluding Saturday, Sunday and any other day which in Montréal, Province of Quebec, is a legal holiday or a day on which governmental and quasi-governmental entities are authorized by law or by local proclamation to close.
 - (d) “**Closing**” means the completion of the Subscription.
 - (e) “**Closing Date**” means June 2, 2014.
 - (f) “**Common Shares**” means the Common Shares of the Corporation
 - (g) “**Corporation**” has the meaning set out in the recitals of this Agreement.
-
- (h) “**Damages**” means any and all losses, liabilities, damages, claims or expenses (whether or not involving a third-party claim) including reasonable legal expenses actually suffered or incurred by either Party, provided, however, that notwithstanding the foregoing, “**Damages**” shall not include any consequential, exemplary or punitive damages or any diminution in value.
 - (i) “**Equity Plan**” means the Amended and Restated Equity Incentive Plan adopted by the Corporation on April 3, 2012, as amended on February 24, 2014 and as further amended from time to time.
 - (j) “**Governmental Authority**” means any (i) multinational, federal, provincial, state, municipal, local or other governmental or public department, central bank, court, arbitral body with legal jurisdiction, commission, board, bureau, agency, ministry or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the foregoing or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.
 - (k) “**Investor**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (l) “**Investors Rights Agreement**” means that certain Amended and Restated Investors’ Rights Agreement, dated February 24, 2014, by and among the Corporation and the shareholders of the Corporation party thereto, as amended from time to time.
 - (m) “**Junior Preferred Shares**” means the Junior Preferred Shares of the Corporation.
 - (n) “**Material Adverse Effect**” means a materially adverse effect on (i) the business, operations, prospects, financial condition or liabilities (contingent or otherwise) of the Corporation on a consolidated basis, (ii) the ability of the Corporation on a consolidated basis to perform its obligations under this Agreement or (iii) the rights or benefits available to the Investor under this Agreement.
 - (o) “**Organizational Documents**” means, with respect to each of the Corporation and the Subsidiary, its certificate of incorporation, its by-laws, its partnership agreement, its memorandum and articles of association, articles of incorporation, continuation or amalgamation, share designations or similar organizational documents and all shareholder agreements, voting trusts and similar arrangements applicable to the Corporation or its Subsidiary.
 - (p) “**Parties**” means, collectively, the Investor and the Corporation and “**Party**” means any of them.
 - (q) “**Purchased Shares**” has the meaning set out in the recitals at the beginning of this Agreement,
 - (r) “**Series A Preferred Shares**” means the Series A Preferred Shares of the Corporation.
 - (s) “**Series A-1 Preferred Shares**” means the Series A-1 Preferred Shares of the Corporation.

- (t) “**Subscription**” has the meaning set out in the recitals at the beginning of this Agreement.
- (u) “**Subsidiary**” means DAVIDsTEA (USA) Inc.

1.2 Gender and Number

Any reference in this Agreement to gender includes all genders (including neuter) and words denoting the singular number only shall include the plural and *vice versa*.

1.3 Headings, Etc.

The provision of a table of contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and shall not affect the interpretation of this Agreement.

1.4 Certain Expressions, Etc.

In this Agreement, (i) the words “**includes**”, “**including**” and similar expressions mean “**include (or including) without limitation**”, and (ii) the phrases “**the aggregate of**”, the “**total of**”, the “**sum of**” and similar expressions mean the “**aggregate (or total or sum), without duplication, of**”.

1.5 Currency

All references in this Agreement to “**dollars**” or to “**\$**” are expressed in lawful money of Canada, unless otherwise specifically indicated.

1.6 Legal Representation; No Presumption against any Party

Each Party acknowledges that it has been represented by counsel or has been given the opportunity to obtain counsel in connection with the negotiation and execution of this Agreement and that the terms of this Agreement have been negotiated by it. Any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement, against the Party that drafted it has no application and any such right is expressly waived by each Party.

1.7 Day Not a Business Day, Calculation of Delays

If an action is required to be taken hereunder no later than a day which is not a Business Day, then such action shall instead be required to be taken no later than the next succeeding Business Day.

If any action may be taken within, or any right or obligation is to expire at the end of, a period of days under this Agreement, then the day which is the reference day in calculating such period shall be excluded.

1.8 Recitals

The recitals herein shall form an integral part hereof.

ARTICLE 2 SECURITIES SUBSCRIPTION TERMS

2.1 Subscription

Subject to the terms of this Agreement, the Corporation agrees to issue to the Investor, and the Investor hereby agrees to subscribe for 55,249 Series A-1 Preferred Shares, for a subscription price of 9.05 per share payable in cash on the Closing Date.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

3.1 Representations and Warranties of the Corporation

The Corporation does hereby represent and warrant to the Investor as follows, and acknowledges and confirms that the Investor is relying on such representations and warranties, notwithstanding any investigation by the Investor:

- (a) **Existence.** Each of the Corporation and the Subsidiary is a corporation duly incorporated and validly existing and in good standing under the laws of its jurisdiction of incorporation and of all jurisdictions in which it carries on business and is in compliance with all provisions of its Organizational Documents and each of the Corporation and the Subsidiary has all requisite power and authority to own its property and to carry on its business as now being and hereafter proposed to be conducted.
- (b) **Capitalization.** The authorized and issued share capital of the Company consists, immediately prior to the Closing, of:
- (i) 2,000,000 Class AA Common Shares, none of which are issued and outstanding immediately prior to the Closing and with respect to which options to purchase an aggregate amount of 125,000 Class AA Common Shares are currently issued and outstanding;

- (ii) an unlimited number of Common Shares, of which 33,764 Common Shares are issued and outstanding immediately prior to the Closing, and with respect to which options to purchase an aggregate amount of 1,373,425 Common Shares are currently issued and outstanding; and
- (iii) (A) 7,441,341 Junior Preferred Shares, all of which are issued and outstanding, (B) 4,003,724 Series A Preferred Shares, all of which are issued and outstanding and (C) 912,689 Series A-1 Preferred Shares, of which 681,073 Series A-1 Preferred Shares are issued and outstanding immediately prior to the Closing.
- (c) **Authorization of this Agreement by the Corporation.** The Corporation has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by duly authorized officers of the Corporation. The obligations of the Corporation under this Agreement constitute legal,

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valid and binding obligations of the Corporation. The Corporation has obtained all requisite consents and approvals in order to effect the transactions contemplated in this Agreement.

- (d) **Valid Issuance of the Purchased Shares.** The Purchased Shares, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be validly issued, fully paid and non-assessable Series A-1 Preferred Shares of the Corporation, free and clear of all liens. The Common Shares issuable upon conversion of the Purchased Shares, have been duly authorized and reserved for issuance and, upon issuance in accordance with the terms of the Organizational Documents, will be validly issued, fully paid and non-assessable, free and clear of all liens.
- (e) **No Other Agreements to Purchase.** Except for the Investor's right under this Agreement and except for (i) the other Series A-1 Preferred Shares to be issued to each of Rainy Day Investments Ltd., Capital GVR Inc., Thomas J. Folliard, IV Marital Deduction Trust uad 8/1/2011, Highland Consumer Fund I Limited Partnership, Highland Consumer Fund I-B Limited Partnership and Highland Consumer Entrepreneurs Fund I Limited Partnership, as of the date hereof, (ii) the Common Shares and Class AA Common Shares issuable upon the exercise of options or the issuance of restricted shares under the Equity Plan and (iii) any options or shares that may be issued to Mogey Inc. ("**Mogey**") pursuant to any settlement related to Mogey's claim against the Corporation, no person has any written or oral agreement, option or warrant or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming such for the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Corporation.
- (f) **Financial Statements.** The audited financial statements as of December 31, 2013 of the Corporation have been prepared in accordance with generally accepted accounting principles and fairly present in all material respects the financial condition and operating results of the Corporation as of such date, and for the period, indicated therein.
- (g) **No Conflict.** The execution, delivery and performance by the Corporation of this Agreement, in accordance with its terms, and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the Organizational Documents of the Corporation, (ii) violate any provision of law applicable to the Corporation, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party or by which any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, could not reasonably be expected to have a Material Adverse Effect.
- (h) **Government Regulation.** No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Governmental Authority is required on the part of the Corporation in connection with the consummation of the transactions contemplated by this Agreement.
- (i) **Compliance with Law.** Each of the Corporation and the Subsidiary is in compliance with all laws and regulations applicable to it and to its business and assets, the non-compliance with which, could, singly or in the aggregate, reasonably be expected to have

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a Material Adverse Effect.

- (j) **Litigation.** There is no notice of infraction, action, suit or proceeding pending against (nor, to the knowledge of the Corporation, threatened against or in any other manner relating adversely to) the Corporation, the Subsidiary or any of their respective property in any court or before any arbitrator of any kind or before or by any Governmental Authority which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

4.1 Representations and Warranties of the Investor

The Investor does hereby represent and warrant to the Corporation as follows, and acknowledges and confirms that the Corporation is relying on such representations and warranties, notwithstanding any investigation by the Corporation:

- (a) **Authorization of this Agreement by the Investor.** The Investor has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by the authorized officers of the Investor. The obligations of the Investor under this Agreement constitute legal, valid and binding obligations of the Investor.
- (b) **No Conflict.** The execution, delivery and performance by the Investor of this Agreement in accordance with its terms and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the organizational documents of the Investor, (ii) violate any provision of law applicable to the Investor, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party or by which it or any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, individually or in the aggregate, are not material.

- (c) **Acknowledgement.**
- (i) The Investor understands that (i) the issuance of the Purchased Shares by the Corporation is intended to be exempt from the prospectus and registration requirements of the Applicable Securities Laws, and (ii) there is no existing public or other market for the Purchased Shares.
- (ii) Solely for establishing that the offer, sale and issuance of the Purchased Shares pursuant to this Agreement are exempt from the registration requirements of the Applicable Securities Laws:
- A. the Investor understands that the Purchased Shares will be issued in a transaction exempt from the prospectus and registration requirements of the Applicable Securities Laws and that such securities may not be resold

by the Investor in Canada and the United States except in compliance with such registration and prospectus requirements or subject to exemptions from such requirements;

- B. the Investor is aware that the Corporation is under no obligation to effect any such registration or file any registration with respect to the Purchased Shares (except solely to the extent if, any, provided in the Investors Rights Agreement), to file a prospectus or to file for or comply with any exemption from such requirements;
- C. the Investor is purchasing the Purchased Shares to be acquired by the Investor hereunder for its own account and not with a view to, or for resale in connection with, the distribution thereof in violation of the Applicable Securities Laws; and
- D. the Investor is an Accredited Investor within the meaning of the National Instrument 45-106 Prospectus and Registration Exemptions and Regulations 45-106 respecting the Prospectus and Registration Exemptions in the Province of Québec.

ARTICLE 5

INDEMNIFICATION

5.1 Indemnification by the Corporation in Favor of the Investor

The Corporation shall indemnify and save the Investor harmless from and against any Damages suffered by, imposed upon or asserted against the Investor, as a result of, in respect of, connected with, or arising out of, under or pursuant to:

- (a) any failure of the Corporation to perform or fulfill any of its covenants or agreements under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Corporation under Article 3.

5.2 Indemnification by the Investor in Favor of the Corporation

The Investor shall indemnify and save the Corporation harmless from and against any Damages suffered by, imposed upon or asserted against the Corporation, as a result of, in respect of, or arising out of, under or pursuant to:

- (a) any failure of the Investor to perform or fulfill any covenant or agreements of the investor under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Investor under Article 4.

5.3 Time Limitations

- (a) The representations and warranties of the Corporation contained in this Agreement shall survive Closing and notwithstanding Closing and any investigation made by or on behalf of the Investor, shall survive Closing and continue in full force and effect without limitation of time.
- (b) The representations and warranties of the Investor contained in this Agreement shall survive Closing and, notwithstanding Closing and any investigation made by or on behalf of the Corporation, shall survive Closing and continue in full force and effect without limitation of time.

ARTICLE 6

MISCELLANEOUS

6.1 Further Assurances

From time to time after the Closing Date, each Party shall, at the request of any other Party, execute and deliver such additional conveyances, transfers and other assurances and do all such other acts or things as may be reasonably required to effectively carry out the purposes and intent of this Agreement.

6.2 Notices

All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed given if delivered personally, telecopied, sent by a Canadian nationally-recognized overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the Parties at the addresses set forth below or to such other address as the Party to whom notice is to be given may have furnished to the other Parties in writing in accordance with this Section 6.2. Any such notice or communication shall be deemed to have been delivered and received (a) in the case of personal delivery, on the date of such delivery, if such date is a Business Day, (b) in the case of telecopier, on the date sent if confirmation of receipt is received prior to 5:00 p.m. on that day and, if such date is a Business Day, (c) in the case of such a nationally-recognized overnight courier in circumstances under which such courier guarantees next Business Day delivery, on the next Business Day after delivery and (d) in the case of mailing, on the third Business Day following that on which the envelope containing such communication is posted:

(i) If to the Investor at:

177 Place Henri Gauthier
Montreal, Quebec
H2M 2S1

Attention: Sylvain Toutant
Facsimile:

(ii) If to the Corporation:

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5430 Ferrier
Town of Mount Royal QC
H4P 1M2

Attention: Chairman of the Board
Facsimile: (514) 739-0200

6.3 Time of the Essence

Time is of the essence of this Agreement.

6.4 Amendments

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by the Investor and the Corporation.

6.5 Waiver

No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) or a future waiver of the same provisions, nor shall such waiver be binding unless executed in writing by the Party to be bound by the waiver.

No failure on the part of any Party to exercise, and no delay in exercising any right under this Agreement shall operate as a waiver of such right, nor shall any single or partial exercise of any such right preclude any other or further exercise of such right or the exercise of any other right.

6.6 Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties,

6.7 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights or obligations under this Agreement shall be assignable or transferable by any of the Parties without the prior written consent of the other and any purported assignment or delegation in violation hereof shall be null and void.

6.8 Severability

If any provision of this Agreement is determined by an arbitrator or any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall continue in full force and effect.

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6.9 Governing Law

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Quebec and the federal laws of Canada applicable therein. Each Party hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the Province of Quebec.

6.10 Counterparts

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument.

6.11 Language

The Parties confirm that they have agreed that this Agreement and any other agreements and documents in relation thereto, be drafted in English only.
Les parties aux présentes confirment qu'elles ont accepté que la présente convention et toute autre convention et autre document s'y rapportant soit rédigés en anglais seulement

(Signatures follow on the next page)

SIGNED as of the date of this Agreement.

DAVIDSTEA INC.

Per: /s/ Pierre Michaud
Name:
Title:

9222-2116 QUÉBEC INC.

Per: /s/ Sylvain Toutant
Name: Sylvain Toutant
Title: President

SHARE SUBSCRIPTION AGREEMENT

Share Subscription Agreement dated June 2, 2014 between Highland Consumer Fund I Limited Partnership/ Highland Consumer Fund I-B Limited Partnership and Highland Consumer Entrepreneurs Fund I Limited Partnership (collectively, the “**Investor**”) and DAVIDsTEA Inc. (the “**Corporation**”).

WHEREAS as of the date hereof, the authorized capital of the Corporation consists of an unlimited number of Common Shares, (ii) 2,000,000 Class AA Common Shares and (iii) an unlimited number of Preferred Shares, issuable in series, of which the currently existing series consist of an authorized number of (a) 7,441,341 Junior Preferred Shares, (b) 4,003,724 Series A Preferred Shares and (c) 912,689 Series A-1 Preferred Shares (the “**Series A-1 Preferred Shares**”);

AND WHEREAS the Investor has agreed to subscribe for and purchase from the Corporation, on the Closing Date, a total of 42,803 Series A-1 Preferred Shares (the “**Purchased Shares**”) on the terms and conditions set forth herein and the Corporation wishes to accept said subscription (the “**Subscription**”).

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1 INTERPRETATION

1.1 Definitions

As used in this Agreement, the following capitalized terms and expressions have the following meanings unless the context otherwise requires:

- (a) “**Agreement**” means this subscription agreement and all instruments that amend or confirm this share subscription agreement; and the expressions “**Article**” and “**Section**” followed by a number mean and refer to the specified Article or Section of this Agreement.
 - (b) “**Applicable Securities Laws**” means all applicable securities laws in Canada and the United States, including statutes, rules, regulations, by-laws, policies, guidelines, orders, decisions, rulings and awards.
 - (c) “**Business Day**” means any day, excluding Saturday, Sunday and any other day which in Montreal, Province of Quebec, is a legal holiday or a day on which governmental and quasi-governmental entities are authorized by law or by local proclamation to close.
 - (d) “**Closing**” means the completion of the Subscription.
 - (e) “**Closing Date**” means June 2, 2014.
 - (f) “**Common Shares**” means the Common Shares of the Corporation.
-
- (g) “**Corporation**” has the meaning set out in the recitals of this Agreement,
 - (h) “**Damages**” means any and all losses, liabilities, damages, claims or expenses (whether or not involving a third-party claim) including reasonable legal expenses actually suffered or incurred by either Party, provided, however, that notwithstanding the foregoing, “**Damages**” shall not include any consequential, exemplary or punitive damages or any diminution in value.
 - (i) “**Equity Plan**” means the Amended and Restated Equity Incentive Plan adopted by the Corporation on April 3, 2012, as amended on February 24, 2014 and as further amended from time to time.
 - (j) “**Governmental Authority**” means any (i) multinational, federal, provincial, state, municipal, local or other governmental or public department, central bank, court, arbitral body with legal jurisdiction, commission, board, bureau, agency, ministry or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the foregoing or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.
 - (k) “**Investor**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (l) “**Investors Rights Agreement**” means that certain Amended and Restated Investors’ Rights Agreement, dated February 24, 2014, by and among the Corporation and the shareholders of the Corporation party thereto, as amended from time to time.
 - (m) “**Junior Preferred Shares**” means the Junior Preferred Shares of the Corporation.
 - (n) “**Material Adverse Effect**” means a materially adverse effect on (i) the business, operations, prospects, financial condition or liabilities (contingent or otherwise) of the Corporation on a consolidated basis, (ii) the ability of the Corporation on a consolidated basis to perform its obligations under this Agreement or (iii) the rights or benefits available to the Investor under this Agreement.
 - (o) “**Organizational Documents**” means, with respect to each of the Corporation and the Subsidiary, its certificate of incorporation, its by-laws, its partnership agreement, its memorandum and articles of association, articles of incorporation, continuation or amalgamation, share designations or similar organizational documents and all shareholder agreements, voting trusts and similar arrangements applicable to the Corporation or its Subsidiary,
 - (p) “**Parties**” means, collectively, the Investor and the Corporation and “**Party**” means any of them.
 - (q) “**Purchased Shares**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (r) “**Series A Preferred Shares**” means the Series A Preferred Shares of the Corporation.

- (s) “**Series A-1 Preferred Shares**” means the Series A-1 Preferred Shares of the Corporation.
- (t) “**Subscription**” has the meaning set out in the recitals at the beginning of this Agreement.
- (u) “**Subsidiary**” means DAVIDsTEA (USA) Inc.

1.2 Gender and Number

Any reference in this Agreement to gender includes all genders (including neuter) and words denoting the singular number only shall include the plural and *vice versa*.

1.3 Headings, Etc.

The provision of a table of contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and shall not affect the interpretation of this Agreement.

1.4 Certain Expressions, Etc.

In this Agreement, (i) the words “**includes**”, “**including**” and similar expressions mean “**include (or including) without limitation**”, and (ii) the phrases “**the aggregate of**”, the “**total of**”, the “**sum of**” and similar expressions mean the “**aggregate (or total or sum), without duplication, of**”.

1.5 Currency

All references in this Agreement to “**dollars**” or to “**\$**” are expressed in lawful money of Canada, unless otherwise specifically indicated.

1.6 Legal Representation; No Presumption against any Party

Each Party acknowledges that it has been represented by counsel or has been given the opportunity to obtain counsel in connection with the negotiation and execution of this Agreement and that the terms of this Agreement have been negotiated by it. Any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement, against the Party that drafted it has no application and any such right is expressly waived by each Party.

1.7 Day Not a Business Day, Calculation of Delays

If an action is required to be taken hereunder no later than a day which is not a Business Day, then such action shall instead be required to be taken no later than the next succeeding Business Day.

If any action may be taken within, or any right or obligation is to expire at the end of, a period of days under this Agreement, then the day which is the reference day in calculating such period shall be excluded.

1.8 Recitals

The recitals herein shall form an integral part hereof.

ARTICLE 2 SECURITIES SUBSCRIPTION TERMS

2.1 Subscription

Subject to the terms of this Agreement, the Corporation agrees to issue to the Investor, and the Investor hereby agrees to subscribe for a total of 42,803 Series A-1 Preferred Shares, for a subscription price of \$9.05 per share payable in cash on the Closing Date, as follows:

- (i) 34,368 Series A-1 Preferred Shares to Highland Consumer Fund I Limited Partnership;
- (ii) 7,333 Series A-1 Preferred Shares to Highland Consumer Fund I-B Limited Partnership; and
- (iii) 1,102 Series A-1 Preferred Shares to Highland Consumer Entrepreneurs Fund I Limited Partnership,

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

3.1 Representations and Warranties of the Corporation

The Corporation does hereby represent and warrant to the Investor as follows, and acknowledges and confirms that the Investor is relying on such representations and warranties, notwithstanding any investigation by the Investor:

- (a) **Existence.** Each of the Corporation and the Subsidiary is a corporation duly incorporated and validly existing and in good standing under the laws of its jurisdiction of incorporation and of all jurisdictions in which it carries on business and is in compliance with all provisions of its Organizational Documents and each of the Corporation and the Subsidiary has all requisite power and authority to own its property and to carry on its business as now being and hereafter proposed to be conducted.

- (b) **Capitalization.** The authorized and issued share capital of the Company consists, immediately prior to the Closing, of:
- (i) 2,000,000 Class AA Common Shares, none of which are issued and outstanding immediately prior to the Closing and with respect to which options to purchase an aggregate amount of 125,000 Class AA Common Shares are currently issued and outstanding;
 - (ii) an unlimited number of Common Shares, of which 33,764 Common Shares are issued and outstanding immediately prior to the Closing, and with respect to

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which options to purchase an aggregate amount of 1,373,425 Common Shares are currently issued and outstanding; and

- (iii) (A) 7,441,341 Junior Preferred Shares, all of which are issued and outstanding, (B) 4,003,724 Series A Preferred Shares, all of which are issued and outstanding and (C) 912,689 Series A-l Preferred Shares, of which 681,073 Series A-l Preferred Shares are issued and outstanding immediately prior to the Closing.
- (c) **Authorization of this Agreement by the Corporation.** The Corporation has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by duly authorized officers of the Corporation. The obligations of the Corporation under this Agreement constitute legal, valid and binding obligations of the Corporation. The Corporation has obtained all requisite consents and approvals in order to effect the transactions contemplated in this Agreement.
- (d) **Valid Issuance of the Purchased Shares.** The Purchased Shares, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be validly issued, fully paid and non-assessable Series A-l Preferred Shares of the Corporation, free and clear of all liens. The Common Shares issuable upon conversion of the Purchased Shares, have been duly authorized and reserved for issuance and, upon issuance in accordance with the terms of the Organizational Documents, will be validly issued, fully paid and non-assessable, free and clear of all liens.
- (e) **No Other Agreements to Purchase.** Except for the Investor's right under this Agreement and except for (i) the other Series A-l Preferred Shares to be issued to each of 9222-2116 Québec Inc., Rainy Day Investments Ltd., Capital GVR Inc. and Thomas J. Folliard, TV Marital Deduction Trust uad 8/1/2011 as of the date hereof, (ii) the Common Shares and Class AA Common Shares issuable upon the exercise of options or the issuance of restricted shares under the Equity Plan and (iii) any options or shares that may be issued to Mogey Inc. ("**Mogey**") pursuant to any settlement related to Mogey's claim against the Corporation, no person has any written or oral agreement, option or warrant or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming such for the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Corporation.
- (f) **Financial Statements.** The audited financial statements as of December 31, 2013 of the Corporation have been prepared in accordance with generally accepted accounting principles and fairly present in all material respects the financial condition and operating results of the Corporation as of such date, and for the period, indicated therein.
- (g) **No Conflict.** The execution, delivery and performance by the Corporation of this Agreement, in accordance with its terms, and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the Organizational Documents of the Corporation, (ii) violate any provision of law applicable to the Corporation, and (iii) result in a breach of, or constitute a default under, any

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agreement or instrument to which it is a party or by which any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, could not reasonably be expected to have a Material Adverse Effect,

- (h) **Government Regulation.** No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Governmental Authority is required on the part of the Corporation in connection with the consummation of the transactions contemplated by this Agreement.
- (i) **Compliance with Law.** Each of the Corporation and the Subsidiary is in compliance with all laws and regulations applicable to it and to its business and assets, the non-compliance with which, could, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect.
- (j) **Litigation.** There is no notice of infraction, action, suit or proceeding pending against (nor, to the knowledge of the Corporation, threatened against or in any other manner relating adversely to) the Corporation, the Subsidiary or any of their respective property in any court or before any arbitrator of any kind or before or by any Governmental Authority which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

4.1 Representations and Warranties of the Investor

The Investor does hereby represent and warrant to the Corporation as follows, and acknowledges and confirms that the Corporation is relying on such representations and warranties, notwithstanding any investigation by the Corporation:

- (a) **Authorization of this Agreement by the Investor.** The Investor has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by the authorized officers of the Investor. The obligations of the Investor under this Agreement constitute legal, valid and binding obligations of the Investor.

- (b) **No Conflict.** The execution, delivery and performance by the Investor of this Agreement in accordance with its terms and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the organizational documents of the Investor, (ii) violate any provision of law applicable to the Investor, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party or by which it or any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, individually or in the aggregate, are not material.

(c) **Acknowledgement.**

- (i) The Investor understands that (i) the issuance of the Purchased Shares by the Corporation is intended to be exempt from the prospectus and registration requirements of the Applicable Securities Laws, and (ii) there is no existing public or other market for the Purchased Shares.
- (ii) Solely for establishing that the offer, sale and issuance of the Purchased Shares pursuant to this Agreement are exempt from the registration requirements of the Applicable Securities Laws:
- A. the Investor understands that the Purchased Shares will be issued in a transaction exempt from the prospectus and registration requirements of the Applicable Securities Laws and that such securities may not be resold by the Investor in Canada and the United States except in compliance with such registration and prospectus requirements or subject to exemptions from such requirements;
- B. the Investor is aware that the Corporation is under no obligation to effect any such registration or file any registration with respect to the Purchased Shares (except solely to the extent, if, any, provided in the Investors Rights Agreement), to file a prospectus or to file for or comply with any exemption from such requirements;
- C. the Investor is purchasing the Purchased Shares to be acquired by the Investor hereunder for its own account and not with a view to, or for resale in connection with, the distribution thereof in violation of the Applicable Securities Laws; and
- D. the Investor is an Accredited Investor within the meaning of the National Instrument 45-106 Prospectus and Registration Exemptions and Regulations 45-106 respecting the Prospectus and Registration Exemptions in the Province of Quebec.

ARTICLE 5
INDEMNIFICATION

5.1 Indemnification by the Corporation in Favor of the Investor

The Corporation shall indemnify and save the Investor harmless from and against any Damages suffered by, imposed upon or asserted against the Investor, as a result of, in respect of, connected with, or arising out of, under or pursuant to:

- (a) any failure of the Corporation to perform or fulfill any of its covenants or agreements under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Corporation under Article 3.

5.2 Indemnification by the Investor in Favor of the Corporation

The Investor shall indemnify and save the Corporation harmless from and against any Damages suffered by, imposed upon or asserted against the Corporation, as a result of, in respect of, or arising out of, under or pursuant to:

- (a) any failure of the Investor to perform or fulfill any covenant or agreements of the investor under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Investor under Article 4.

5.3 Time Limitations

- (a) The representations and warranties of the Corporation contained in this Agreement shall survive Closing and notwithstanding Closing and any investigation made by or on behalf of the Investor, shall survive Closing and continue in full force and effect without limitation of time.
- (b) The representations and warranties of the Investor contained in this Agreement shall survive Closing and, notwithstanding Closing and any investigation made by or on behalf of the Corporation, shall survive Closing and continue in full force and effect without limitation of time.

ARTICLE 6
MISCELLANEOUS

6.1 Further Assurances

From time to time after the Closing Date, each Party shall, at the request of any other Party, execute and deliver such additional conveyances, transfers and other assurances and do all such other acts or things as may be reasonably required to effectively carry out the purposes and intent of this Agreement.

6.2 Notices

All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed given if delivered personally, telecopied, sent by a Canadian nationally- recognized overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the Parties at the addresses set forth below or to such other address as the Party to whom notice is to be given may have furnished to the other Parties in writing in accordance with

this Section 6.2. Any such notice or communication shall be deemed to have been delivered and received (a) in the case of personal delivery, on the date of such delivery, if such date is a Business Day, (b) in the case of telecopier, on the date sent if confirmation of receipt is received prior to 5:00 p.m. on that day and, if such date is a Business Day, (c) in the case of such a nationally-recognized overnight courier in circumstances under which such courier guarantees next Business Day delivery, on the next Business Day after delivery and in

the case of mailing, on the third Business Day following that on which the envelope containing such communication is posted:

(i) If to the Investor at:

c/o Highland Capital Partners, LLP
1 Broadway, 16th floor
Cambridge, MA 02142 U.S.A.

Attention: Tom Stenberg
Facsimile:

(ii) If to the Corporation:

5430 Ferrier
Town of Mount Royal QC
H4P 1M2

Attention: Chairman of the Board
Facsimile: (514) 739-0200

6.3 Time of the Essence

Time is of the essence of this Agreement.

6.4 Amendments

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by the Investor and the Corporation.

6.5 Waiver

No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) or a future waiver of the same provisions, nor shall such waiver be binding unless executed in writing by the Party to be bound by the waiver.

No failure on the part of any Party to exercise, and no delay in exercising any right under this Agreement shall operate as a waiver of such right, nor shall any single or partial exercise of any such right preclude any other or further exercise of such right or the exercise of any other right.

6.6 Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties.

6.7 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights or obligations under this Agreement shall be assignable or transferable by any of the Parties without the prior written consent of the other and any purported assignment or delegation in violation hereof shall be null and void.

6.8 Severability

If any provision of this Agreement is determined by an arbitrator or any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall continue in full force and effect.

6.9 Governing Law

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Quebec and the federal laws of Canada applicable therein. Each Party hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the Province of Quebec.

6.10 Counterparts

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument.

6.11 Language

The Parties confirm that they have agreed that this Agreement and any other agreements and documents in relation thereto, be drafted in English only.
Les parties aux présentes confirment qu'elles ont accepté que la présente convention et toute autre convention et autre document s'y rapportant soit rédigés en anglais seulement.

(Signatures follow on the next page)

SIGNED as of the date of this Agreement

DAVIDSTEA INC.

Per: /s/ Pierre Michaud
Name:
Title:

HIGHLAND CONSUMER FUND I LIMITED PARTNERSHIP, represented by its general partner, HIGHLAND CONSUMER GP LIMITED PARTNERSHIP, itself representing by its general partner, HIGHLAND CONSUMER GP GP LLC

 /s/ Authorized Signatory
Authorized Signatory

HIGHLAND CONSUMER FUND I-B LIMITED PARTNERSHIP, represented by its general partner, HIGHLAND CONSUMER GP LIMITED PARTNERSHIP, itself representing by its general partner, HIGHLAND CONSUMER GP GP LLC

 /s/ Authorized Signatory
Authorized Signatory

HIGHLAND CONSUMER ENTREPRENEURS FUND I LIMITED PARTNERSHIP, represented by its general partner, HIGHLAND CONSUMER GP LIMITED PARTNERSHIP, itself representing by its general partner, HIGHLAND CONSUMER GP GP LLC

 /s/ Authorized Signatory
Authorized Signatory

SHARE SUBSCRIPTION AGREEMENT

Share Subscription Agreement dated June 2, 2014 between Thomas J. Folliard, IV Marital Deduction Trust uad 8/1/2011 (the “**Investor**”) and DAVIDsTEA Inc. (the “**Corporation**”).

WHEREAS as of the date hereof, the authorized capital of the Corporation consists of (i) an unlimited number of Common Shares, (ii) 2,000,000 Class AA Common Shares and (iii) an unlimited number of Preferred Shares, issuable in series, of which the currently existing series consist of an authorized number of (a) 7,441,341 Junior Preferred Shares, (b) 4,003,724 Series A Preferred Shares and (c) 912,689 Series A-l Preferred Shares (the “**Series A-1 Preferred Shares**”);

AND WHEREAS the Investor has agreed to subscribe for and purchase from the Corporation, on the Closing Date, 928 Series A-l Preferred Shares (the “**Purchased Shares**”) on the terms and conditions set forth herein and the Corporation wishes to accept said subscription (the “**Subscription**”).

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1 **INTERPRETATION**

1.1 Definitions

As used in this Agreement, the following capitalized terms and expressions have the following meanings unless the context otherwise requires:

- (a) “**Agreement**” means this subscription agreement and all instruments that amend or confirm this share subscription agreement; and the expressions “**Article**” and “**Section**” followed by a number mean and refer to the specified Article or Section of this Agreement.
 - (b) “**Applicable Securities Laws**” means all applicable securities laws in Canada and the United States, including statutes, rules, regulations, by-laws, policies, guidelines, orders, decisions, rulings and awards.
 - (c) “**Business Day**” means any day, excluding Saturday, Sunday and any other day which in Montreal, Province of Quebec, is a legal holiday or a day on which governmental and quasi-governmental entities are authorized by law or by local proclamation to close.
 - (d) “**Closing**” means the completion of the Subscription.
 - (e) “**Closing Date**” means June 2, 2014.
 - (f) “**Common Shares**” means the Common Shares of the Corporation.
 - (g) “**Corporation**” has the meaning set out in the recitals of this Agreement.
-
- (h) “**Damages**” means any and all losses, liabilities, damages, claims or expenses (whether or not involving a third-party claim) including reasonable legal expenses actually suffered or incurred by either Party, provided, however, that notwithstanding the foregoing, “**Damages**” shall not include any consequential, exemplary or punitive damages or any diminution in value.
 - (i) “**Equity Plan**” means the Amended and Restated Equity Incentive Plan adopted by the Corporation on April 3, 2012, as amended on February 24, 2014 and as further amended from time to time.
 - (j) “**Governmental Authority**” means any (i) multinational, federal, provincial, state, municipal, local or other governmental or public department, central bank, court, arbitral body with legal jurisdiction, commission, board, bureau, agency, ministry or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the foregoing or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.
 - (k) “**Investor**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (l) “**Investors Rights Agreement**” means that certain Amended and Restated Investors’ Rights Agreement, dated February 24, 2014, by and among the Corporation and the shareholders of the Corporation party thereto, as amended from time to time.
 - (m) “**Junior Preferred Shares**” means the Junior Preferred Shares of the Corporation.
 - (n) “**Material Adverse Effect**” means a materially adverse effect on (i) the business, operations, prospects, financial condition or liabilities (contingent or otherwise) of the Corporation on a consolidated basis, (ii) the ability of the Corporation on a consolidated basis to perform its obligations under this Agreement or (iii) the rights or benefits available to the Investor under this Agreement.
 - (o) “**Organizational Documents**” means, with respect to each of the Corporation and the Subsidiary, its certificate of incorporation, its by-laws, its partnership agreement, its memorandum and articles of association, articles of incorporation, continuation or amalgamation, share designations or similar organizational documents and all shareholder agreements, voting trusts and similar arrangements applicable to the Corporation or its Subsidiary.
 - (p) “**Parties**” means, collectively, the Investor and the Corporation and “**Party**” means any of them.
 - (q) “**Purchased Shares**” has the meaning set out in the recitals at the beginning of this Agreement.
 - (r) “**Series A Preferred Shares**” means the Series A Preferred Shares of the Corporation.

(s) “Series A-1 Preferred Shares” means the Series A-1 Preferred Shares of the Corporation.

(t) “Subscription” has the meaning set out in the recitals at the beginning of this Agreement.

(u) “Subsidiary” means DAVIDsTEA (USA) Inc.

1.2 Gender and Number

Any reference in this Agreement to gender includes all genders (including neuter) and words denoting the singular number only shall include the plural and *vice versa*.

1.3 Headings, Etc.

The provision of a table of contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and shall not affect the interpretation of this Agreement.

1.4 Certain Expressions, Etc.

In this Agreement, (i) the words “includes”, “including” and similar expressions mean “include (or including) without limitation”, and (ii) the phrases “the aggregate of”, the “total of”, the “sum of” and similar expressions mean the “aggregate (or total or sum), without duplication, of”.

1.5 Currency

All references in this Agreement to “dollars” or to “\$” are expressed in lawful money of Canada, unless otherwise specifically indicated.

1.6 Legal Representation; No Presumption against any Party

Each Party acknowledges that it has been represented by counsel or has been given the opportunity to obtain counsel in connection with the negotiation and execution of this Agreement and that the terms of this Agreement have been negotiated by it. Any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement, against the Party that drafted it has no application and any such right is expressly waived by each Party,

1.7 Day Not a Business Day, Calculation of Delays

If an action is required to be taken hereunder no later than a day which is not a Business Day, then such action shall instead be required to be taken no later than the next succeeding Business Day.

If any action may be taken within, or any right or obligation is to expire at the end of, a period of days under this Agreement, then the day which is the reference day in calculating such period shall be excluded.

1.8 Recitals

The recitals herein shall form an integral part hereof.

ARTICLE 2 SECURITIES SUBSCRIPTION TERMS

2.1 Subscription

Subject to the terms of this Agreement the Corporation agrees to issue to the Investor, and the Investor hereby agrees to subscribe for 928 Series A-1 Preferred Shares, for a subscription price of \$9.05 per share payable in cash on the Closing Date.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

3.1 Representations and Warranties of the Corporation

The Corporation does hereby represent and warrant to the Investor as follows, and acknowledges and confirms that the Investor is relying on such representations and warranties, notwithstanding any investigation by the Investor:

- (a) **Existence.** Each of the Corporation and the Subsidiary is a corporation duly incorporated and validly existing and in good standing under the laws of its jurisdiction of incorporation and of all jurisdictions in which it carries on business and is in compliance with all provisions of its Organizational Documents and each of the Corporation and the Subsidiary has all requisite power and authority to own its property and to carry on its business as now being and hereafter proposed to be conducted.
- (b) **Capitalization.** The authorized and issued share capital of the Company consists, immediately prior to the Closing, of:
 - (i) 2,000,000 Class AA Common Shares, none of which are issued and outstanding immediately prior to the Closing and with respect to which options to purchase an aggregate amount of 125,000 Class AA Common Shares are currently issued and outstanding;

- (ii) an unlimited number of Common Shares, of which 33,764 Common Shares are issued and outstanding immediately prior to the Closing, and with respect to which options to purchase an aggregate amount of 1,373,425 Common Shares are currently issued and outstanding; and
 - (iii) (A) 7,441,341 Junior Preferred Shares, all of which are issued and outstanding, (B) 4,003,724 Series A Preferred Shares, all of which are issued and outstanding and (C) 912,689 Series A-1 Preferred Shares, of which 681,073 Series A-1 Preferred Shares are issued and outstanding immediately prior to the Closing.
- (c) **Authorization of this Agreement by the Corporation.** The Corporation has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by duly authorized officers of the Corporation. The obligations of the Corporation under this Agreement constitute legal,

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valid and binding obligations of the Corporation. The Corporation has obtained all requisite consents and approvals in order to effect the transactions contemplated in this Agreement.

- (d) **Valid Issuance of the Purchased Shares.** The Purchased Shares, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be validly issued, fully paid and non-assessable Series A-1 Preferred Shares of the Corporation, free and clear of all liens. The Common Shares issuable upon conversion of the Purchased Shares, have been duly authorized and reserved for issuance and, upon issuance in accordance with the terms of the Organizational Documents, will be validly issued, fully paid and non-assessable, free and clear of all liens.
- (e) **No Other Agreements to Purchase.** Except for the Investor's right under this Agreement and except for (i) the other Series A-1 Preferred Shares to be issued to each of 9222-2116 Quebec Inc., Rainy Day Investments Ltd., Capital GVR Inc., Highland Consumer Fund I Limited Partnership, Highland Consumer Fund I-B Limited Partnership and Highland Consumer Entrepreneurs Fund I Limited Partnership, as of the date hereof, (ii) the Common Shares and Class AA Common Shares issuable upon the exercise of options or the issuance of restricted shares under the Equity Plan and (iii) any options or shares that may be issued to Mogey Inc. ("**Mogey**") pursuant to any settlement related to Mogey's claim against the Corporation, no person has any written or oral agreement, option or warrant or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming such for the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Corporation.
- (f) **Financial Statements.** The audited financial statements as of December 31, 2013 of the Corporation have been prepared in accordance with generally accepted accounting principles and fairly present in all material respects the financial condition and operating results of the Corporation as of such date, and for the period, indicated therein.
- (g) **No Conflict.** The execution, delivery and performance by the Corporation of this Agreement, in accordance with its terms, and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the Organizational Documents of the Corporation, (ii) violate any provision of law applicable to the Corporation, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party or by which any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, could not reasonably be expected to have a Material Adverse Effect.
- (h) **Government Regulation.** No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Governmental Authority is required on the part of the Corporation in connection with the consummation of the transactions contemplated by this Agreement.
- (i) **Compliance with Law.** Each of the Corporation and the Subsidiary is in compliance with all laws and regulations applicable to it and to its business and assets, the non-

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compliance with which, could, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect.

- (j) **Litigation.** There is no notice of infraction, action, suit or proceeding pending against (nor, to the knowledge of the Corporation, threatened against or in any other manner relating adversely to) the Corporation, the Subsidiary or any of their respective property in any court or before any arbitrator of any kind or before or by any Governmental Authority which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

4.1 Representations and Warranties of the Investor

The Investor does hereby represent and warrant to the Corporation as follows, and acknowledges and confirms that the Corporation is relying on such representations and warranties, notwithstanding any investigation by the Corporation:

- (a) **Authorization of this Agreement by the Investor.** The Investor has taken all necessary action to execute, deliver and perform its obligations under this Agreement, in accordance with its terms and to consummate the transactions contemplated hereby. This Agreement has been executed and delivered by the authorized trustees of the Investor. The obligations of the Investor under this Agreement constitute legal, valid and binding obligations of the Investor.
- (b) **No Conflict.** The execution, delivery and performance by the Investor of this Agreement in accordance with its terms and the consummation of the transactions contemplated hereby do not (i) violate or conflict with any provision of the organizational documents of the Investor, (ii) violate any provision of law applicable to the Investor, and (iii) result in a breach of, or constitute a default under, any agreement or instrument to which it is a party or by which it or any of its property may be bound, except, in the case of (ii) and (iii), for any such breach or default which, individually or in the aggregate, are not material.

(c) **Acknowledgement.**

- (i) The Investor understands that (i) the issuance of the Purchased Shares by the Corporation is intended to be exempt from the prospectus and registration requirements of the Applicable Securities Laws, and (ii) there is no existing public or other market for the Purchased Shares.
- (ii) Solely for establishing that the offer, sale and issuance of the Purchased Shares pursuant to this Agreement are exempt from the registration requirements of the Applicable Securities Laws:
 - A. the Investor understands that the Purchased Shares will be issued in a transaction exempt from the prospectus and registration requirements of

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the Applicable Securities Laws and that such securities may not be resold by the Investor in Canada and the United States except in compliance with such registration and prospectus requirements or subject to exemptions from such requirements;

- B. the Investor is aware that the Corporation is under no obligation to effect any such registration or file any registration with respect to the Purchased Shares (except solely to the extent, if, any, provided in the Investors Rights Agreement), to file a prospectus or to file for or comply with any exemption from such requirements;
- C. the Investor is purchasing the Purchased Shares to be acquired by the Investor hereunder for its own account and not with a view to, or for resale in connection with, the distribution thereof in violation of the Applicable Securities Laws; and
- D. the Investor is an Accredited Investor within the meaning of the National Instrument 45-106 Prospectus and Registration Exemptions and Regulations 45-106 respecting the Prospectus and Registration Exemptions in the Province of Quebec.

ARTICLE 5
INDEMNIFICATION

5.1 Indemnification by the Corporation in Favor of the Investor

The Corporation shall indemnify and save the Investor harmless from and against any Damages suffered by, imposed upon or asserted against the Investor, as a result of, in respect of, connected with, or arising out of, under or pursuant to:

- (a) any failure of the Corporation to perform or fulfill any of its covenants or agreements under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Corporation under Article 3.

5.2 Indemnification by the Investor in Favor of the Corporation

The Investor shall indemnify and save the Corporation harmless from and against any Damages suffered by, imposed upon or asserted against the Corporation, as a result of, in respect of, or arising out of, under or pursuant to:

- (a) any failure of the Investor to perform or fulfill any covenant or agreements of the investor under this Agreement at any time; and
- (b) any breach or inaccuracy of any representation or warranty given by the Investor under Article 4.

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5.3 Time Limitations

- (a) The representations and warranties of the Corporation contained in this Agreement shall survive Closing and notwithstanding Closing and any investigation made by or on behalf of the Investor, shall survive Closing and continue in full force and effect without limitation of time.
- (b) The representations and warranties of the Investor contained in this Agreement shall survive Closing and, notwithstanding Closing and any investigation made by or on behalf of the Corporation, shall survive Closing and continue in full force and effect without limitation of time.

ARTICLE 6
MISCELLANEOUS

6.1 Further Assurances

From time to time after the Closing Date, each Party shall, at the request of any other Party, execute and deliver such additional conveyances, transfers and other assurances and do all such other acts or things as may be reasonably required to effectively carry out the purposes and intent of this Agreement.

6.2 Notices

All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed given if delivered personally, telecopied, sent by a Canadian nationally- recognized overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the Parties at the addresses set forth below or to such other address as the Party to whom notice is to be given may have furnished to the other Parties in writing in accordance with this Section 6.2. Any such notice or communication shall be deemed to have been delivered and received (a) in the case of personal delivery, on the date of such delivery, if such date is a Business Day, (b) in the case of telecopier, on the date sent if confirmation of receipt is received prior to 5:00 p.m. on that day and, if such date is a Business Day, (c) in the case of such a nationally-recognized overnight courier in circumstances under which such courier guarantees next Business Day delivery, on the next Business Day after delivery and (d) in the case of mailing, on the third Business Day following that on which the envelope containing such communication is posted:

(i) If to the Investor at:

Attention: Tom Folliard
Facsimile:

(ii) If to the Corporation:

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5430 Ferrier
Town of Mount Royal QC
H4P1M2

Attention: Chairman of the Board
Facsimile: (514) 739-0200

6.3 Time of the Essence

Time is of the essence of this Agreement.

6.4 Amendments

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by the Investor and the Corporation.

6.5 Waiver

No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) or a future waiver of the same provisions, nor shall such waiver be binding unless executed in writing by the Party to be bound by the waiver.

No failure on the part of any Party to exercise, and no delay in exercising any right under this Agreement shall operate as a waiver of such right, nor shall any single or partial exercise of any such right preclude any other or further exercise of such right or the exercise of any other right.

6.6 Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties.

6.7 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights or obligations under this Agreement shall be assignable or transferable by any of the Parties without the prior written consent of the other and any purported assignment or delegation in violation hereof shall be null and void.

6.8 Severability

If any provision of this Agreement is determined by an arbitrator or any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall continue in full force and effect.

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6.9 Governing Law

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Quebec and the federal laws of Canada applicable therein. Each Party hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the Province of Quebec.

6.10 Counterparts

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument.

6.11 Language

The Parties confirm that they have agreed that this Agreement and any other agreements and documents in relation thereto, be drafted in English only. *Les parties aux présentes confirment qu'elles ont accepté que la présente convention et toute autre convention et autre document s'y rapportant soit rédigés en anglais settlement.*

(Signatures follow on the next page)

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SIGNED as of the date of this Agreement.

DAVIDSTEAL INC.

Per:

/s/ Authorized Person

Name:

Title:

THOMAS J. FOLLIARD, IV MARITAL
DEDUCTION TRUST UAD 8/1/2011,
represented by Tom Folliard, as Trustee of the Trust

/s/ Tom Folliard

TOM FOLLIARD

DAVIDsTEA INC.
AMENDED AND RESTATED VOTING AGREEMENT
FEBRUARY 24, 2014

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Exhibit A	– Adoption Agreement	

AMENDED AND RESTATED VOTING AGREEMENT

THIS AMENDED AND RESTATED VOTING AGREEMENT is made and entered into as of this 24th day of February, 2014, by and among (i) DAVIDsTEA Inc., a Canadian corporation (the “**Company**”), (ii) each holder of the Company’s Series A Preferred Shares (the “**Series A Preferred Shares**”) listed on Schedule A (together with any subsequent investors, or transferees, who become parties hereto as “**Investors**” pursuant to Subsection 6.2 below, the “**Investors**”), (iii) each holder of the Company’s Junior Preferred Shares (the “**Junior Preferred Shares**”) listed on Schedule B (together with any subsequent shareholders, or transferees who become parties hereto as “**Junior Preferred Holders**” pursuant to Subsection 6.2 below, the “**Junior Preferred Holders**”), (iv) each holder of the Company’s Series A-1 Preferred Shares (the “**Series A-1 Preferred Shares**”) listed on Schedule C (together with any subsequent shareholders, or transferees who become parties hereto as “**Director Investor Preferred Holders**” pursuant to Subsection 6.2 below, the “**Director Investor Preferred Holders**”), and (v) each holder of the Company’s Common Shares (the “**Common Shares**”) listed on Schedule D (together with any subsequent shareholders, or transferees who become parties hereto as “**Common Holders**” pursuant to Subsection 6.2 below (the “**Common Holders**”, and together collectively with the Investors, the Junior Preferred Holders and the Director Investor Preferred Holders the “**Shareholders**”). The Series A Preferred Shares, the Series A-1 Preferred Shares and the Junior Preferred Shares are collectively defined as the “**Preferred Shares**”.

RECITALS

WHEREAS, the Company and the Investors have entered into a Series A Preferred Shares Subscription and Purchase Agreement on April 3, 2012 (the “**Subscription and Purchase Agreement**”);

WHEREAS, the Company, the Investors and the Junior Preferred Holders have entered into a voting agreement on April 3, 2012 (the “**Original Voting Agreement**”) to provide the Investors and the Junior Preferred Holders with, among other rights, rights with respect to the designation and the election of certain members of the board of directors of the Company (the “**Board**”) and to set forth their agreements and understandings with respect to how share capital of the Company held by them will be voted on, or tendered in connection with, an acquisition of the Company;

WHEREAS, Rainy Day Investments Ltd., Highland Consumer Fund I Limited Partnership, Highland Consumer Fund I-B Limited Partnership and Highland Consumer Entrepreneurs Fund I Limited Partnership entered into a Memorandum of Settlement dated August 2013 (the “**Memorandum of Settlement**”);

WHEREAS, on February 24, 2014, the articles of the Company were amended in order to create a third series of Preferred Shares designated as Series A-1 Preferred Shares;

WHEREAS, on February 24, 2014, the Company issued an aggregate amount of 681,073 Series A-1 Preferred Shares to the Investors and the Director Investor Preferred Holders;

WHEREAS the Shareholders now wish to change the composition of the Board in accordance with the terms of the Memorandum of Settlement;

AND WHEREAS it is considered desirable to amend and restate the terms of the Original Voting Agreement on the terms set out herein

NOW, THEREFORE, the parties agree as follows:

1. Voting Provisions Regarding Board of Directors.

1.1. **Size of the Board.** Each Shareholder agrees to vote, or cause to be voted, all Shares (as defined below) owned by such Shareholder, or over which such Shareholder has voting control, from time to time and at all times, in whatever manner as shall be necessary to ensure that the size of the Board shall be set and remain at eight (8) directors. For purposes of this Agreement, the term “**Shares**” shall mean and include any securities of the Company the holders of which are entitled to vote for members of the Board, including without limitation, all Common Shares, Junior Preferred Shares, Series A Preferred Shares and Series A-1 Preferred Shares, by whatever name called, now owned or subsequently acquired by a Shareholder, however acquired, whether through share splits, share dividends, reclassifications, recapitalizations, similar events or otherwise.

1.2. **Board Composition.** Each Shareholder agrees to vote, or cause to be voted, all Shares owned by such Shareholder, or over which such Shareholder has voting control, from time to time and at all times, in whatever manner as shall be necessary to ensure that at each annual or special meeting of shareholders at which an election of directors is held or pursuant to any written consent of the shareholders, the following persons shall be elected to the Board:

(a) For so long as Highland Consumer Fund and its Affiliates (as defined below) (collectively, “**Highland**”) have not transferred (other than to the Company or to Affiliates of Highland) more than 806,951 Series A Preferred Shares (subject to appropriate adjustment for all share splits, dividends, combinations, recapitalizations and the like), two (2) individuals designated by Highland, which individuals are as at the date hereof, Thomas G. Stemberg and Tom Folliard; provided, however, if Highland and its Affiliates have transferred (other than to the Company or to Affiliates of Highland) more than 806,951 Series A Preferred Shares but less than 1,613,902 Series A Preferred Shares (in each case, subject to appropriate adjustment for all share splits, dividends, combinations, recapitalizations and the like), Highland shall be entitled to designate one (1) individual to the Board (such person or persons, as the case may be, the “**Highland Designees**”); for greater certainty, any transferee of Highland’s Series A Preferred Shares or Series A-1 Preferred Shares that is not an Affiliate of Highland shall not have any right to designate directors pursuant to this Section 1;

(b) The Chief Executive Officer (the “**CEO**”) of the Company at any given time (the “**CEO Director**”); for greater certainty, if for any reason the CEO Director shall cease to serve as the CEO, each of the Shareholders shall promptly vote their respective Shares (i) to remove the former CEO from the Board if such person has not resigned as a member of the Board and (ii) to elect such person’s replacement as CEO as the new CEO Director; provided,

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however, that nothing herein is intended to confer any rights upon the CEO as a party hereto, a third party beneficiary hereunder or otherwise, and the right set forth in this Subsection 1.2(b) may be amended or revoked at any time by the parties hereto in accordance with Subsection 6.9;

(c) Four (4) individuals (or, subject to the provisions of this Subsection 1.2(c), five (5) individuals if Highland is entitled to designate only one (1) individual to the Board pursuant to Subsection 1.2(a)) (the “**Rainy Day Designees**”) designated by Rainy Day Investments Ltd. (“**Rainy Day**”), as long as Rainy Day, David Segal, and their respective Affiliates (together, the “**Founders**”) own, in the aggregate a majority of the outstanding Common Shares of the Company (assuming the exercise and conversion of all outstanding options, warrants and convertible securities), which individuals are as at the date hereof, (i) Sarah Segal, (ii) Herschel Segal, (iii) Michael Pesner and (iv) Javier San Juan; provided that if and when the Founders in the aggregate own less than a majority of the outstanding Common Shares (assuming the exercise and conversion of all outstanding options, warrants and convertible securities) but more than five percent (5%) of the outstanding Common Shares (assuming the exercise and conversion of all outstanding options, warrants and convertible securities), then Rainy Day shall be entitled to designate that number of directors as equals the proportion of the members of the Board (rounded to the nearest whole number, with 0.5 being rounded down) equal to a fraction, the numerator of which is the number of Common Shares then owned by the Founders and the denominator of which is the total number of Common Shares then outstanding (in each case, assuming the exercise and conversion of the outstanding options, warrants and convertible securities);

(d) One (1) independent director (the “**Independent Director**”) who shall be required to invest, either directly or through a holding company controlled by him, at least \$500,000 in the Company concurrently upon becoming a director of the Company, or such other higher amount agreed upon by Rainy Day and Highland. The Independent Director shall be either Canadian or American with expertise in the retail sector. The Independent Director shall be proposed by Rainy Day and approved by Highland. In this regard, Rainy Day shall provide suggested names of candidates to act as the Independent Director. Thereafter, Highland shall indicate which names proposed by Rainy Day may be approached by Rainy Day and Highland. Rainy Day and Highland will then determine, from the names proposed by Rainy Day and accepted by Highland, who among them are both ready and interested to serve and invest as contemplated above, at which point, Highland and Rainy Day shall each interview these individuals. Highland will then communicate which of such individuals, if any, whom it has interviewed are acceptable to it, and Rainy Day shall select an individual from the names approved by Highland to be the Independent Director, or if none of the names interviewed by Highland is acceptable to Highland or if none of the names approved by Highland is acceptable to Rainy Day, Rainy Day shall then provide other potential candidates to Highland, who will be subject to the above process. Once determined in accordance with the foregoing, the Independent Director may only be removed by agreement of Highland and Rainy Day. The Independent Director shall act as Chair of the Board as long as the Independent Director remains involved with the Company and maintains his/her aforementioned investment in the Company. The first Independent Director shall be Pierre Michaud, who shall be appointed concurrently with, or immediately after, the completion of the investment by his affiliated holding company, Capital GYR Inc., to acquire 110,498 Series A-1 Preferred Shares at a price of \$9.05 per share;

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(e) If the Independent Director resigns or is removed from the Board in accordance with Section 1.2(d) hereof, his/her successor shall be selected in accordance with the process set forth in Section 1.2(d) hereof. Moreover, if the Independent Director resigns or is removed, until his/her successor is agreed upon by Highland and Rainy Day and joins the Board in accordance with the terms hereof, Rainy Day agrees that one of its designated directors shall become a non-voting member of the Board, such that there shall only be three (3) voting Rainy Day Designees serving on the Board until a successor Independent Director is appointed and serving as a director/Chair of the Board, and upon such appointment of the successor Independent Director, Rainy Day shall be entitled to a fourth voting Rainy Day Designee. If the Independent Director resigns or is removed from the Board, Section 1.6 herein will cease to apply and have effect until the successor Independent Director is appointed and serving as a director/Chair of the Board in accordance with the terms hereof.

Any member of the Board not designated pursuant to clauses (a) through (e) above shall be an independent director mutually agreeable to Rainy Day and Highland and elected by all of the Shareholders entitled to vote thereon in accordance with, and pursuant to, the Canada Business Corporations Act. Such independent director(s) shall not have the power conferred by Section 1.6 of this Agreement.

For purposes of this Agreement, an individual, firm, corporation, partnership, association, limited liability company, trust or any other entity (collectively, a “**Person**”) shall be deemed an “**Affiliate**” of another Person who, directly or indirectly, controls, is controlled by or is under common control with such Person,

including, without limitation, any general partner, managing member, officer or director of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person.

1.3. **Failure to Designate a Board Member.** In the absence of any designation from the Persons or groups with the right to designate a director as specified above, the director previously designated by them and then serving shall be reelected if still eligible to serve as provided herein.

1.4. **Removal of Board Members.** Each Shareholder also agrees to vote, or cause to be voted, all Shares owned by such Shareholder, or over which such Shareholder has voting control, from time to time and at all times, in whatever manner as shall be necessary to ensure that:

(a) no director elected pursuant to Subsections 1.2 or 1.3 of this Agreement may be removed from office unless (i) such removal is directed or approved by the affirmative vote of the Person, or of the holders of at least a majority of the share capital, entitled under Subsection 1.2 to designate that director, or (ii) the Person(s) originally entitled to designate or approve such director or occupy such Board seat pursuant to Subsection 1.2 is no longer so entitled to designate or approve such director or occupy such Board seat. Notwithstanding the foregoing provisions of this paragraph (a), the Independent Director may only be removed with the consent of Highland and Rainy Day;

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(b) any vacancies created by the resignation, removal or death of a director elected pursuant to Subsections 1.2 or 1.3 shall be filled pursuant to the provisions of this Section 1; and

(c) upon the request of any party entitled to designate a director as provided in Subsections 1.2(a) or 1.2(c) to remove such director, such director shall be removed, and with respect to the Independent Director, such Independent Director shall be removed by agreement of Highland and Rainy Day.

All Shareholders agree to execute any written consents required to perform the obligations of this Agreement, and the Company agrees at the request of any party entitled to designate directors to call a special meeting of shareholders for the purpose of electing directors.

1.5. **No Liability for Election of Recommended Directors.** No Shareholder, nor any Affiliate of any Shareholder, shall have any liability as a result of designating a person for election as a director for any act or omission by such designated person in his or her capacity as a director of the Company, nor shall any Shareholder have any liability as a result of voting for any such designee in accordance with the provisions of this Agreement.

1.6. **Termination of the Current CEO.** Notwithstanding anything to the contrary in the By-Laws of the Company and its subsidiary, DAVIDsTEA (USA) Inc. ("**DT USA**"), and in the Amended and Restated Investors' Rights Agreement (including Sections 5.3(f) and 5.3(g) thereof) dated February 24, 2014 entered into by the Company and the Shareholders, the Independent Director, as Chair of the Board, shall be solely responsible for the decision in respect of the termination of the employment of the current CEO, Jevin Eagle (the "**Current CEO**"), with the Company and DT USA, (and only the current CEO) which decision shall be final and binding and may not be appealed or otherwise contested. This sole responsibility shall continue as long as the Independent Director remains the Chair of the Board and holds, either directly or through a holding company controlled by him, Series A-1 Preferred Shares (or Common Shares into which the Series A-1 Preferred Shares shall have been converted) and until the employment of the Current CEO is terminated. All of the aforementioned provisions of the By-Laws and the Amended and Restated Investors' Rights Agreement dated February 24, 2014 remain unchanged and in full force and effect as concerns any future CEO of the Company.

2. **Drag-Along Right.**

2.1. **Definitions.** A "**Sale of the Company**" shall mean either: (a) a transaction or series of related transactions in which a Person, or a group of related Persons, who in each instance are not an Affiliate of any Shareholder, acquires from shareholders of the Company shares representing more than fifty percent (50%) of the outstanding voting power of the Company (a "**Share Sale**"); or (b) a transaction that qualifies as a "**Deemed Liquidation Event**" as defined in the Company's Articles of Amendment (the "**Amended Articles**").

2.2. **Actions to be Taken.** In the event that each of (i) a majority of the Board of Directors, which majority must include (A) all the Highland Designees and (B) a majority of the Rainy Day Designees (for greater certainty, excluding in each case the Independent

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Director), (ii) the holders of at least a majority of the share capital of the Company (assuming the exercise and conversion of all outstanding options, warrants and convertible securities), acting together as a single class, (iii) the holders of at least a majority of the Common Shares then issued or issuable upon conversion of the Series A Preferred Shares and the Series A-1 Preferred shares (acting together as a single class), (the "**Selling Investors**") for so long as Highland holds at least a majority of the Common Shares then issued or issuable upon conversion of the Series A Preferred Shares and (iv) the holders of at least a majority of the Common Shares then issued or issuable upon conversion of the Junior Preferred Shares, approve a Sale of the Company in writing, specifying that this Section 2 shall apply to such transaction, then each Shareholder and the Company hereby agree:

(a) if such transaction requires shareholder approval, with respect to all Shares that such Shareholder owns or over which such Shareholder otherwise exercises voting power, to vote (in person, by proxy or by action by written consent, as applicable) all Shares in favor of, and adopt, such Sale of the Company (together with any related amendment to the Amended Articles required in order to implement such Sale of the Company) and to vote in opposition to any and all other proposals that could reasonably be expected to delay or impair the ability of the Company to consummate such Sale of the Company;

(b) if such transaction is a Share Sale, to sell the same proportion of share capital of the Company beneficially held by such Shareholder as is being sold by the Selling Investors to the Person to whom the Selling Investors propose to sell their Shares, and, except as permitted in Subsection 2.3 below, on the same terms and conditions as the Selling Investors;

(c) to execute and deliver all related documentation and take such other action in support of the Sale of the Company as shall reasonably be requested by the Company or the Selling Investors in order to carry out the terms and provision of this Section 2, including without limitation executing and delivering instruments of conveyance and transfer, and any purchase agreement, merger agreement, indemnity agreement, escrow agreement,

consent, waiver, governmental filing, share certificates duly endorsed for transfer (free and clear of impermissible liens, claims and encumbrances) and any similar or related documents;

(d) not to deposit, and to cause their Affiliates not to deposit, except as Provided in this Agreement, any Shares of the Company owned by such party or Affiliate in a voting trust or subject any Shares to any arrangement or agreement with respect to the voting of such Shares, unless specifically requested to do so by the acquiror in connection with the Sale of the Company;

(e) to refrain from exercising any dissenters' rights or rights of appraisal under applicable law at any time with respect to such Sale of the Company;

(f) if the consideration to be paid in exchange for the Shares pursuant to this Section 2 includes any securities and due receipt thereof by any Shareholder would require under applicable law (x) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities or (y) the provision to any Shareholder of any information other than such information as a prudent issuer would generally

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furnish in an offering made solely to "**accredited investors**" as defined in either Regulation D promulgated under the Securities Act of 1933 or *National Instrument 45-106 -Prospectus and Registration Exemptions* of the Canadian Securities Administrators ("**NI 45-106**"), in each case, as amended, the Company may cause to be paid to any such Shareholder in lieu thereof, against surrender of the Shares which would have otherwise been sold by such Shareholder, an amount in cash equal to the fair value (as determined in good faith by the Company) of the securities which such Shareholder would otherwise receive as of the date of the issuance of such securities in exchange for the Shares;

(g) if the consideration to be paid in exchange for the Shares pursuant to this Section 2 includes any securities and the Selling Investors enter into any pre-arranged sale of such securities on or prior to closing of the Sale of the Company then all of the Shareholders shall be notified of the particulars of such arrangement or proposed arrangement and any one or more of the Shareholders shall have the right to benefit from the same terms and conditions as the Seller Investors with respect to such pre-arranged sale; and

(h) in the event that the Selling Investors, in connection with such Sale of the Company, appoint a shareholder representative (the "**Shareholder Representative**") with respect to matters affecting the Shareholders under the applicable definitive transaction agreements following consummation of such Sale of the Company, (x) to consent to (i) the appointment of such Shareholder Representative, (ii) the establishment of any applicable escrow, expense or similar fund in connection with any indemnification or similar obligations, and (iii) the payment of such Shareholder's pro rata portion (from the applicable escrow or expense fund or otherwise) of any and all reasonable fees and expenses to such Shareholder Representative in connection with such Shareholder Representative's services and duties in connection with such Sale of the Company and its related service as the representative of the Shareholders, and (y) not to assert any claim or commence any suit against the Shareholder Representative or any other Shareholder with respect to any action or inaction taken or failed to be taken by the Shareholder Representative in connection with its service as the Shareholder Representative, absent fraud or willful misconduct.

2.3. Exceptions. Notwithstanding the foregoing, a Shareholder will not be required to comply with Subsection 2.1 above in connection with any proposed Sale of the Company (the "**Proposed Sale**") unless:

(a) any representations and warranties to be made by such Shareholder in connection with the Proposed Sale are limited to representations and warranties related to authority, ownership and the ability to convey title to such Shares, including but not limited to representations and warranties that (i) the Shareholder holds all right, title and interest in and to the Shares such Shareholder purports to hold, free and clear of all liens and encumbrances, (ii) the obligations of the Shareholder in connection with the transaction have been duly authorized, if applicable, (iii) the documents to be entered into by the Shareholder have been duly executed by the Shareholder and delivered to the acquiror and are enforceable against the Shareholder in accordance with their respective terms and (iv) neither the execution and delivery of documents to be entered into in connection with the transaction, nor the performance of the Shareholder's obligations thereunder, will cause a breach or violation of the terms of any agreement, law or judgment, order or decree of any court or governmental agency;

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(b) the Shareholder shall not be liable for the inaccuracy of any representation or warranty made by any other Person in connection with the Proposed Sale, other than the Company (other than a breach by any Shareholder of any identical representations, warranties and covenants provided by all Shareholders with respect to the Company and not with respect to themselves, in which case the Shareholder shall be liable for its pro rata share of the damages resulting from such breach, and except to the extent that funds may be paid out of an escrow established to cover breach of representations, warranties and covenants of the Company; provided, however, that the breaching Shareholder shall be required to reimburse the non-breaching Shareholders for an amount equal to their respective pro rata shares of any amount paid out of escrow in respect of a breach by the breaching Shareholder of one of its representations and warranties with respect to itself);

(c) the liability for indemnification, if any, of such Shareholder in the Proposed Sale and for the inaccuracy of any representations and warranties made by the Company or its Shareholders in connection with such Proposed Sale, is several and not joint with any other Person (except to the extent that funds may be paid out of an escrow established to cover breach of representations, warranties and covenants of the Company; provided, however, that the breaching Shareholder shall be required to reimburse the non-breaching Shareholders for an amount equal to their respective pro rata shares of any amount paid out of escrow in respect of a breach by the breaching Shareholder of one of its representations and warranties with respect to itself), and subject to the provisions of the Amended Articles related to the allocation of the escrow, is pro rata in proportion to, and does not exceed, the amount of consideration paid to such Shareholder in connection with such Proposed Sale; and

(d) upon the consummation of the Proposed Sale, each holder of each class or series of the Company's share capital will receive the same form and amount of consideration for their shares of such class or series as is set forth in the Amended Articles in effect immediately prior to the consummation of the Proposed Sale; provided, however, that, notwithstanding the foregoing, if the consideration to be paid in exchange for the Shares pursuant to this Subsection 2.3(d) includes any securities and due receipt thereof by any Shareholder would require under applicable law (x) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities or (y) the provision to any Shareholder of any information other than such information as a prudent issuer would generally furnish in an offering made solely to "accredited investors" as defined in either Regulation D promulgated under the Securities Act of 1933 or NI 45-106, in either case, as amended, the Company may cause to be paid to any such Shareholder in lieu thereof, against surrender of the Shares which would have otherwise been sold by such Shareholder, an amount in cash equal to the fair value (as determined in good faith by the Company) of the securities which such Shareholder would otherwise receive as of the date of the issuance of such securities in exchange for the Shares.

2.4. Restrictions on Sales of Control of the Company. No Shareholder shall be a party to any Share Sale unless all holders of Preferred Shares are allowed to participate in such transaction and the consideration received pursuant to such transaction is allocated among the parties thereto in the manner specified in the Amended Articles in effect immediately prior to the Share Sale (as if such transaction were a Deemed Liquidation Event), unless the holders of at least a majority of the Series A Preferred Shares and the Series A-1 Preferred Shares (acting

together as a single class) elect otherwise by written notice given to the Company at least ten (10) days prior to the effective date of any such transaction or series of related transactions.

3. Remedies.

3.1. Covenants of the Company. The Company agrees to use its best efforts, within the requirements of applicable law, to ensure that the rights granted under this Agreement are effective and that the parties enjoy the benefits of this Agreement. Such actions include, without limitation, the use of the Company's best efforts to cause the nomination and election of the directors as provided in this Agreement.

3.2. Irrevocable Proxy and Power of Attorney. Each party to this Agreement hereby constitutes and appoints as the proxies of the party and hereby grants a power of attorney to the CEO of the Company, and a designee of the Selling Investors, and each of them, with full power of substitution, with respect to the matters set forth herein, including without limitation, election of persons as members of the Board in accordance with Section 1 hereto and votes regarding any Sale of the Company pursuant to Section 2 hereof, and hereby authorizes each of them to represent and to vote, if and only if the party (i) fails to vote or (ii) attempts to vote (whether by proxy, in person or by written consent), in a manner which is inconsistent with the terms of this Agreement, all of such party's Shares in favor of the election of persons as members of the Board determined pursuant to and in accordance with the terms and provisions of this Agreement or approval of any Sale of the Company pursuant to and in accordance with the terms and provisions of this Agreement or to take any action necessary to effect Section 2 of this Agreement. Each of the proxy and power of attorney granted pursuant to the immediately preceding sentence is given in consideration of the agreements and covenants of the Company and the parties in connection with the transactions contemplated by this Agreement and, as such, each is coupled with an interest and shall be irrevocable unless and until this Agreement terminates or expires pursuant to Section 4 hereof. Each party hereto hereby revokes any and all previous proxies or powers of attorney with respect to the Shares and shall not hereafter, unless and until this Agreement terminates or expires pursuant to Section 4 hereof, purport to grant any other proxy or power of attorney with respect to any of the Shares, deposit any of the Shares into a voting trust or enter into any agreement (other than this Agreement), arrangement or understanding with any person, directly or indirectly, to vote, grant any proxy or give instructions with respect to the voting of any of the Shares, in each case, with respect to any of the matters set forth herein.

3.3. Specific Enforcement. Each party acknowledges and agrees that each party hereto will be irreparably damaged in the event any of the provisions of this Agreement are not performed by the parties in accordance with their specific terms or are otherwise breached. Accordingly, it is agreed that each of the Company and the Shareholders shall be entitled to an injunction to prevent breaches of this Agreement, and to specific enforcement of this Agreement and its terms and provisions in any action instituted in any court having subject matter jurisdiction.

3.4. Remedies Cumulative. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

4. Term. This Agreement shall be effective as of the date hereof and shall continue in effect until and shall terminate upon the earliest to occur of (a) the consummation of the Company's Qualifying IPO (as defined in the Amended Articles as in effect on the date hereof); (b) the consummation of a Sale of the Company and distribution of proceeds to or escrow for the benefit of the Shareholders in accordance with the Amended Articles; provided that the provisions of Section 3 hereof will continue after the closing of any Sale of the Company to the extent necessary to enforce the provisions of Section 2 with respect to such Sale of the Company; and (c) termination of this Agreement in accordance with Subsection 6.9 below.

5. Grant of Proxy by Rainy Day.

5.1. Irrevocable Proxy. Rainy Day agrees that upon the death of Herschel Segal, Rainy Day shall grant a proxy (a "**Proxy**") to Sarah Segal (or if Sarah Segal pre-deceases Herschel Segal, a successor designated by Herschel Segal and reasonably acceptable to Highland) to vote the Shares owned by Rainy Day and to exercise Rainy Day's rights under Section 1 of this Agreement. The Proxy granted pursuant to this Section 5 shall be given in consideration of the agreements and covenants of the Company and the parties in connection with the transactions contemplated by this Agreement and, as such, each is coupled with an interest and shall be irrevocable.

5.2. Termination of Proxy. Any Proxy granted pursuant to Subsection 5.1 shall terminate on the earlier of the date on which (i) the Company consummates its first Qualified IPO (as defined in the Amended Articles as in effect on the date hereof), or (ii) Rainy Day or its Affiliates cease to hold, in the aggregate, at least forty percent (40%) of the outstanding Common Shares issued or issuable upon conversion of the Junior Preferred Shares (assuming the exercise and conversion of all outstanding options, warrants and convertible securities). If at the time that either of the foregoing events occurs, no Proxy has been granted, the obligation to grant a Proxy pursuant to Subsection 5.1 shall terminate upon the occurrence of such event.

6. Miscellaneous.

6.1. Fundamental Transactions. In connection with any transaction that gives rise to a shareholder vote pursuant to the *Canada Business Corporations Act*, each Common Holder agrees to (i) cast all votes to which such Common Holder is entitled in respect of its Common Shares, whether at any annual or special meeting, by written resolution or otherwise, in favor of such transaction if the holders of a majority of the Preferred Shares have voted in favor of such transaction; (ii) cast all votes to which such Common Holder is entitled in respect of its Common Shares, whether at any annual or special meeting, by written resolution or otherwise, against such transaction if the holders of a majority of the Preferred Shares have voted against such transaction; or (iii) abstain from casting any vote to which such Common Holder is entitled in respect of its Common Shares if the holders of a majority of the Preferred Shares have neither voted for nor against such transaction. In any case, each Common Shareholders shall refrain from exercising any dissenters' rights or rights of appraisal under applicable law at any time with respect to such transaction.

6.2. Additional Parties. Notwithstanding anything to the contrary contained herein, if the Company issues additional Shares after the date hereof, as a condition to the issuance of such Shares the Company shall require that any purchaser of such Shares become a party to this Agreement by executing and delivering (i) an Adoption Agreement in the form attached hereto as Exhibit A, or (ii) a counterpart signature page hereto agreeing to be bound by and subject to the terms of this Agreement as a Shareholder, and subject to the last proviso in Subsections 1.2(a) and 1.2(c), shall have all of the rights of a Common Holder, Junior Preferred Holder or Investor, as the case may be.

6.3. Transfers. Each transferee or assignee of any Shares pursuant to this Agreement shall execute and deliver an Adoption Agreement substantially in the form attached hereto as Exhibit A. Upon the execution and delivery of an Adoption Agreement by any such transferee or assignee, such transferee or assignee shall be deemed to be a Shareholder for all purposes hereof, and subject to the last proviso in Subsections 1.2(a) and 1.2(c), shall have all of the rights of a Common Holder, Junior Preferred Holder, Director Investor Preferred Holder or Investor, as the case may be. The Company shall not permit the transfer of the Shares subject to this Agreement on its books or issue a new certificate representing any such Shares unless and until such transferee shall have complied with the terms of this Subsection 6.3. Each certificate representing the Shares subject to this Agreement if issued on or after the date of this Agreement shall be endorsed by the Company with the legend set forth in Subsection 6.13.

6.4. Successors and Assigns. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties; provided, however, that the terms and conditions of this Agreement relating to an Investor in its capacity as such shall only inure to the benefit of an assignee of an Investor if such Person is an Affiliate of such Investor. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

6.5. Governing Law. This Agreement shall be governed by the laws of the Province of Quebec and the federal laws of Canada applicable therein.

6.6. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

6.7. Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

6.8. Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or: (a) personal delivery to the party to be notified, (b) when sent, if sent by electronic mail or facsimile during normal business hours of the recipient, and if not sent during

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normal business hours, then on the recipient's next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) business day after the business day of deposit with a nationally recognized overnight courier, freight prepaid, specifying next business day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their address as set forth on Schedule A, Schedule B or Schedule C hereto, or to such email address, facsimile number or address as subsequently modified by written notice given in accordance with this Subsection 6.8. If notice is given to the Company, a copy shall also be sent to Stikeman Elliott LLP, 1155 René-Lévesque Boulevard West, 40th Floor, Montréal, QC, Canada H3B 3V2, Attention: Sidney M. Horn, and if notice is given to Shareholders, a copy shall also be given to Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, MA 02109, Attention: Mark G. Borden, and Miller Thomson LLP, 1000 Rue de la Gauchetière Ouest, Suite 3700, Montréal, QC H3B 4W5, Attention: Andrew Cohen.

6.9. Consent Required to Amend, Terminate or Waive. This Agreement may be amended or terminated and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument executed by (a) the Company; (b) the holders of a majority of the Common Shares and the Junior Preferred Shares (acting together as a single class and on an as-converted basis); and (c) the holders of a majority of the Common Shares issued or issuable upon conversion of Series A Preferred Shares and Series A-1 Preferred Shares held by the Investors (acting together as a single class).

The Company shall give prompt written notice of any amendment, termination or waiver hereunder to any party that did not consent in writing thereto. Any amendment, termination or waiver effected in accordance with this Subsection 6.9 shall be binding on each party and all of such party's successors and permitted assigns, whether or not any such party, successor or assignee entered into or approved such amendment, termination or waiver. For purposes of this Subsection 6.9, the requirement of a written instrument may be satisfied in the form of an action by unanimous written consent of the Shareholders circulated by the Company, whether or not such action by written consent makes explicit reference to the terms of this Agreement. Notwithstanding the foregoing, no amendment shall be made which results in a variation of the covenants and obligations of a party hereunder without such party's written consent.

6.10. Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default previously or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

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6.11. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

6.12. Entire Agreement. This Agreement (including the Exhibits hereto), the Amended Articles and the other Transaction Agreements (as defined in the Subscription and Purchase Agreement) constitute the full and entire understanding and agreement between the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties is expressly canceled. In the event of a conflict between this Agreement and any other agreement that may have been entered into by a Shareholder with the Company prior to the date of this Agreement that contains an obligation regarding the voting of such Shareholder's Shares or drag-along rights, the Company and each such Shareholder acknowledge and agree that the terms of this Agreement shall control.

6.13. Legend on Share Certificates. Each certificate representing any Shares issued after the date hereof shall be endorsed by the Company with a legend reading substantially as follows:

"THE SHARES EVIDENCED HEREBY ARE SUBJECT TO A VOTING AGREEMENT, AS MAY BE AMENDED FROM TIME TO TIME, (A COPY OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST FROM THE COMPANY), AND BY ACCEPTING ANY INTEREST IN SUCH SHARES THE PERSON ACCEPTING SUCH INTEREST SHALL BE DEEMED TO AGREE TO AND SHALL BECOME BOUND BY ALL THE PROVISIONS OF THAT VOTING AGREEMENT, INCLUDING CERTAIN RESTRICTIONS ON TRANSFER AND OWNERSHIP SET FORTH THEREIN."

The Company, by its execution of this Agreement, agrees that it will cause the certificates evidencing the Shares issued after the date hereof to bear the legend required by this Subsection 6.13 of this Agreement, and it shall supply, free of charge, a copy of this Agreement to any holder of a certificate evidencing Shares upon written request from such holder to the Company at its principal office. The parties to this Agreement do hereby agree that the failure to cause the certificates evidencing the Shares to bear the legend required by this Subsection 6.13 herein and/or the failure of the Company to supply, free of charge, a copy of this Agreement as provided hereunder shall not affect the validity or enforcement of this Agreement.

6.14. Share Splits, Share Dividends, etc. In the event of any issuance of Shares of the Company's voting securities hereafter to any of the Shareholders (including, without limitation, in connection with any share split, share dividend, recapitalization, reorganization, or the like), such Shares shall become subject to this Agreement and shall be endorsed with the legend set forth in Subsection 6.13.

6.15. Manner of Voting. The voting of Shares pursuant to this Agreement may be effected in person, by proxy, by written consent or in any other manner permitted by applicable law. For the avoidance of doubt, voting of the Shares pursuant to the Agreement need not make explicit reference to the terms of this Agreement.

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6.16. Further Assurances. At any time or from time to time after the date hereof, the parties agree to cooperate with each other, and at the request of any other party, to execute and deliver any further instruments or documents and to take all such further action as the other party may reasonably request in order to evidence or effectuate the consummation of the transactions contemplated hereby and to otherwise carry out the intent of the parties hereunder.

6.17. Costs of Enforcement. If any party to this Agreement seeks to enforce its rights under this Agreement by legal proceedings, the non-prevailing party shall pay all costs and expenses incurred by the prevailing party, including, without limitation, all reasonable attorneys' fees.

6.18. Aggregation of Shares. All Shares held or acquired by a Shareholder and/or its Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement, and such Affiliated persons may apportion such rights as among themselves in any manner they deem appropriate.

[Remainder of Page Intentionally Left Blank]

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IN WITNESS WHEREOF, the parties have executed this Voting Agreement as of the date first written above.

COMPANY:

DAVIDsTEA Inc.

By: /s/ Jevin Eagle

Name: Jevin Eagle

Title: CEO

Address:

SIGNATURE PAGE TO AMENDED AND RESTATED VOTING AGREEMENT

INVESTORS:

Highland Consumer Fund I Limited Partnership

By: Highland Consumer GP Limited Partnership

By: Highland Consumer GP GP LLC,
its General Partner

By: /s/ Authorized Person
Authorized Manager

Highland Consumer Fund I-B Limited Partnership

By: Highland Consumer GP Limited Partnership

By: Highland Consumer GP GP LLC,
its General Partner

By: /s/ Authorized Person
Authorized Manager

Highland Consumer Entrepreneurs Fund I Limited Partnership

By: Highland Consumer GP Limited Partnership

By: Highland Consumer GP GP LLC,
its General Partner

By: /s/ Authorized Person
Authorized Manager

SIGNATURE PAGE TO AMENDED AND RESTATED VOTING AGREEMENT

INVESTORS:

0936441 B.C. Ltd

By: /s/ Dennis J. Wilson
Name: Dennis J. Wilson
Title: Director

SIGNATURE PAGE TO AMENDED AND RESTATED VOTING AGREEMENT

INVESTORS:

Rainy Day Investments Ltd.

By: /s/ Herschel Segal
Name: Herschel Segal
Title:

SIGNATURE PAGE TO AMENDED AND RESTATED VOTING AGREEMENT

JUNIOR PREFERRED HOLDERS:

Rainy Day Investments Ltd.

By: /s/ Herschel Segal
Name: Herschel Segal
Title:

David Segal

By: /s/ David Segal
Name: David Segal

SIGNATURE PAGE TO AMENDED AND RESTATED VOTING AGREEMENT

DIRECTOR INVESTOR PREFERRED HOLDERS:

Capital GVR Inc.

By: /s/ Pierre Michaud
Name: Pierre Michaud
Title: Director

SIGNATURE PAGE TO AMENDED AND RESTATED VOTING AGREEMENT

COMMON HOLDERS:

Javier San Juan

By: /s/ Javier San Juan
Name: Javier San Juan
Title:

SIGNATURE PAGE TO AMENDED AND RESTATED VOTING AGREEMENT

SCHEDULE A

INVESTORS

Name and Address

Highland Consumer Fund I Limited Partnership

c/o Highland Capital Partners, LLC
One Broadway, 16th Floor
Cambridge, MA 02142
Attention: General
Counsel Facsimile: 781-861-5499

Highland Consumer Fund I-B Limited Partnership

c/o Highland Capital Partners, LLC
One Broadway, 16th Floor
Cambridge, MA 02142
Attention: General Counsel
Facsimile: 781-861-5499

Highland Consumer Entrepreneurs Fund I Limited Partnership

c/o Highland Capital Partners, LLC
One Broadway, 16th Floor
Cambridge, MA 02142
Attention: General Counsel
Facsimile: 781-861-5499

0936441 B.C. Ltd

#2-2108 West 4th Avenue
Vancouver, B.C.
Canada
V6K 1N6
Telephone: (604) 737-7232
Facsimile: (604) 737-7267

Rainy Day Investments Ltd.

SCHEDULE B

JUNIOR PREFERRED HOLDERS

Name and Address

Rainy Day Investments Ltd.

SCHEDULE C

DIRECTOR INVESTOR PREFERRED HOLDERS

Name and Address

Capital GVR Inc.
3434 Peel Street
Montreal, QC H3A 3K8

SCHEDULE C

COMMON HOLDERS

Name and Address

Javier San Juan
[Address]

EXHIBIT A

ADOPTION AGREEMENT

This Adoption Agreement (“**Adoption Agreement**”) is executed on _____, 20____, by the undersigned (the “**Holder**”) pursuant to the terms of that certain Amended and Restated Voting Agreement dated as of February 24, 2014 (the “**Agreement**”), by and among the Company and its Shareholders, as such Agreement may be amended or amended and restated hereafter. Capitalized terms used but not defined in this Adoption Agreement shall have the respective meanings ascribed to such terms in the Agreement. By the execution of this Adoption Agreement, the Holder agrees as follows.

1.1 Acknowledgement. Holder acknowledges that Holder is acquiring certain share capital of the Company (the “**Shares**”), for one of the following reasons (Check the correct box):

- ☐ as a transferee of Shares from a party in such party’s capacity as an “Investor” bound by the Agreement, and after such transfer, Holder shall be deemed to be a Shareholder for all purposes of the Agreement, and, subject to the last proviso of Subsection 1.2(a), shall have all of the rights of an Investor under the Agreement.
- ☐ as a transferee of Shares from a party in such party’s capacity as a “Junior Preferred Holder” bound by the Agreement, and after such transfer, Holder shall be deemed to be a Shareholder for all purposes of the Agreement, and, subject to the last proviso of Subsection 1.2(c), shall have all of the rights of a Junior Preferred Holder under the Agreement.
- ☐ as a transferee of Shares from a party in such party’s capacity as a “Director Investor Preferred Holder” bound by the Agreement, and after such transfer, Holder shall be deemed to be a Shareholder for all purposes of the Agreement, and shall have all of the rights of a Director Investor Preferred Holder under the Agreement.
- ☐ as a transferee of Shares from a party in such party’s capacity as a “Common Holder” bound by the Agreement, and after such transfer, Holder shall be deemed to be a Common Holder for all purposes of the Agreement, and shall have all of the rights of a Common Holder under the Agreement.
- ☐ as an issuance of shares pursuant to Subsection 6.2 of the Agreement, and, after the issuance of such shares to Holder, Holder, subject to the last proviso of Subsections 1.2(a) and 1.2(c), shall have all of the rights of a Common Holder, Junior Preferred Holder, Director Investor Preferred Holder or Investor, as the case may be.

1.2 Agreement. Holder hereby (a) agrees that the Shares, and any other share capital or securities required by the Agreement to be bound thereby, shall be bound by and subject to the terms of the Agreement and (b) adopts the Agreement with the same force and effect as if Holder were originally a party thereto.

1.3 Notice. Any notice required or permitted by the Agreement shall be given to Holder at the address or facsimile number listed below Holder’s signature hereto.

HOLDER: _____

ACCEPTED AND AGREED:

By: _____
Name and Title of Signatory

DAVIDsTEA INC.

Address: _____

By: _____

Title: _____

Facsimile Number: _____

DAVIDSTEA INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT
FEBRUARY 24, 2014

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AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

THIS AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT is made as of the 24th day of February, 2014, by and among DAVIDsTEA Inc., a Canadian corporation (the "**Company**"), each of the investors listed on Schedule A hereto, each of which is referred to in this Agreement as an "**Investor**", Rainy Day Investments Ltd. and David Segal (individually a "**Founder**" and collectively the "**Founders**") and Capital GVR Inc. (the "**Director Investor**").

RECITALS

WHEREAS, the Company and the Investors have entered into a Series A Preferred Shares Subscription and Purchase Agreement on April 3, 2012 (the "**Subscription and Purchase Agreement**");

WHEREAS, the Company, the Investors and the Founders have entered into an investors' right agreement on April 3, 2012 (the "**Original Investors' Right Agreement**") to govern the rights of the Investors to cause the Company to qualify for distribution to the public or register Common Shares issuable to the Investors, to receive certain information from the Company, and to participate in future equity offerings by the Company, and shall govern certain other matters as set forth in the Original Investors' Right Agreement;

WHEREAS, on February 24, 2014, the articles of the Company were amended in order to create a third series of Preferred Shares designated as Series A-1 Preferred Shares;

WHEREAS, on February 24, 2014, the Company issued an aggregate amount of 681,073 Series A-1 Preferred Shares to the Investors, Rainy Day and the Director Investor.

AND WHEREAS it is considered desirable to amend and restate the terms of the Original Investors' Right Agreement on the terms set out herein;

NOW, THEREFORE, the parties hereby agree as follows:

1. Definitions. For purposes of this Agreement:

1.1. "**Affiliate**" means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including without limitation any general partner, managing member, officer or director of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person.

1.2. "**Amended Articles**" means the Company's Articles of Amendment, as they are at the relevant time.

1.3. "**Canadian Securities Laws**" means all applicable securities laws and the instruments, regulations, rules and orders made thereunder and all applicable policies and notices of the securities regulatory authorities in any jurisdiction in Canada.

1.4. "**Common Shares**" means the Company's common shares.

1.5. "**Damages**" means any loss, damage, claim or liability (joint or several) to which a party hereto may become subject under applicable Canadian or United States federal or state laws, including the Securities Act, the Exchange Act and Canadian Securities Laws, insofar as such loss, damage, claim or liability (or any action in respect thereof) arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any prospectus or registration statement of the Company or any amendments or supplements thereto; (ii) an omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or (iii) any violation or alleged violation by the indemnifying party (or any of its agents or Affiliates) of the Securities Act, the Exchange Act, Canadian Securities Laws or United States state securities laws, including any instrument, rule or regulation promulgated thereunder.

1.6. "**Derivative Securities**" means any securities or rights convertible into, or exercisable or exchangeable for (in each case, directly or indirectly), Common Shares, including options and warrants.

1.7. "**Director Investor**" shall mean Capital GVR Inc.

1.8. "**Director Investor Registrable Securities**" shall have the meaning set forth in Section 1.31.

1.9. "**DS Registrable Securities**" shall have the meaning set forth in Section 1.31.

1.10. "**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

1.11. "**Excluded Registration**" means (i) a registration relating to the sale of securities to employees of the Company or a subsidiary pursuant to a share option, share purchase, or similar plan; (ii) a registration relating to an SEC Rule 145 transaction; (iii) a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, other than selling shareholder and similar information; or (iv) a registration in which the only Common Shares being registered are Common Shares issuable upon conversion of debt securities that are also being registered.

1.12. "**First Offeree**" means each of the Investors, Rainy Day and, as long as he is rendering services to the Company as a director or officer, David Segal or either of the Director Investor, as the case may be.

1.13. "**Form S-1**" and "**Form F-1**" means, in each case, such form under the Securities Act as in effect on April 3, 2012 or any successor registration form under the Securities Act subsequently adopted by the SEC.

subsequently adopted by the SEC that permits incorporation of substantial information by reference to other documents filed by the Company with the SEC.

1.15. “**Founder**” shall mean each of Rainy Day and David Segal.

1.16. “**GAAP**” means generally accepted accounting principles in the United States.

1.17. “**Holder**” means any holder of Registrable Securities who is a party to this Agreement.

1.18. “**Immediate Family Member**” means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, of a natural person referred to herein.

1.19. “**Initiating Holders**” means, collectively, Holders who properly initiate a registration request under this Agreement.

1.20. “**Investor Registrable Securities**” shall have the meaning set forth in Section 1.31.

1.21. “**IPO**” means a Qualified IPO, as defined in the Amended Articles.

1.22. “**Junior Preferred Shares**” means the Company’s Junior Preferred Shares.

1.23. “**Key Employee**” means any executive-level employee (including division director and vice president-level positions) as well as any employee who, either alone or in concert with others, (i) develops, invents, programs, or designs any Company Intellectual Property (as defined in the Subscription and Purchase Agreement) or (ii) has access to Company Intellectual Property or access to any other Company confidential information and/or trade secrets.

1.24. “**New Securities**” means, collectively, equity securities of the Company, whether or not currently authorized, as well as rights, options, or warrants to purchase such equity securities, or securities of any type whatsoever that are, or may become, convertible or exchangeable into or exercisable for such equity securities.

1.25. “**Person**” means any individual, corporation, partnership, trust, limited liability company, association or other entity.

1.26. “**Preferred Shares**” means, collectively, the Junior Preferred Shares, the Series A Preferred Shares and the Series A-1 Preferred Shares.

1.27. “**Qualifying Jurisdiction**” means the Province of Ontario.

1.28. “**Rainy Day**” means Rainy Day Investments Ltd.

1.29. “**Rainy Day Director**” means any director of the Company that Rainy Day is entitled to designate pursuant to the Voting Agreement.

1.30. “**Rainy Day Registrable Securities**” shall have the meaning set forth in Section 1.31.

1.31. “**Registrable Securities**” means (i) the Common Shares issuable or issued upon conversion of the Series A Preferred Shares or the Series A-1 Preferred Shares, and any Common Shares, or any Common Shares issued or issuable (directly or indirectly) upon conversion and/or exercise of any other securities of the Company, acquired by the Investors after April 3, 2012 (“**Investor Registrable Securities**”); (ii) the Common Shares issuable or issued upon conversion of the Series A Preferred Shares, Series A-1 Preferred Shares, Junior Preferred Shares, and any Common Shares, or Common Shares issued or issuable (directly or indirectly) upon conversion and/or exercise of any other securities of the Company, held by Rainy Day (“**Rainy Day Registrable Securities**”); (iii) the Common Shares issuable or issued upon conversion of the Junior Preferred Shares and any Common Shares, or any Common Shares issued or issuable (directly or indirectly) upon conversion and/or exercise of any other securities of the Company, held by David Segal (“**DS Registrable Securities**”) provided, however, that such DS Registrable Securities shall not be deemed Registrable Securities and DS shall not be deemed a Holder for the purposes of Subsections 2.1, 2.10, 3.1, 3.2 and 6.6; and (iv) the Common Shares issuable or issued upon conversion of the Series A-1 Preferred Shares, and any Common Shares, or any Common Shares issued or issuable (directly or indirectly) upon conversion and/or exercise of any other securities of the Company, held by the Director Investor (“**Director Investor Registrable Securities**”), provided, however, that such Director Investor shall not be deemed an Initiating Holder for purposes of Subsection 2.1 and shall have no rights under Subsection 3.2; and (iv) any Common Shares issued as (or issuable upon the conversion or exercise of any warrant, right, or other security that is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares referenced in clauses (i), (ii) and (iii) above; excluding in all cases, however, any Registrable Securities sold by a Person in a transaction in which the applicable rights under this Agreement are not assigned pursuant to Subsection 6.1, and excluding for purposes of Section 2 any shares for which registration rights have terminated pursuant to Subsection 2.13 of this Agreement.

1.32. “**Registrable Securities then outstanding**” at any given time means the number of Registrable Securities that are outstanding at such time.

1.33. “**Restricted Securities**” means the securities of the Company required to bear the legend set forth in Subsection 2.12(b) hereof.

1.34. “**SEC**” means the Securities and Exchange Commission.

1.35. “**SEC Rule 144**” means Rule 144 promulgated by the SEC under the Securities Act.

1.36. “**SEC Rule 145**” means Rule 145 promulgated by the SEC under the Securities Act.

1.37. “**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

1.38. “**Selling Expenses**” means all underwriting discounts, selling commissions, and share transfer taxes applicable to the sale of Registrable Securities, and fees and disbursements of counsel for any Holder, except for the fees and disbursements of the Selling Holder Counsel borne and paid by the Company as provided in Subsection 2.6.

1.39. “**Series A Director**” means any director of the Company that the holders of record of the Series A Preferred Shares are entitled to elect pursuant to the Amended Articles.

1.40. “**Series A Preferred Shares**” means the Company’s Series A Preferred Shares.

1.41. “**Series A-1 Preferred Shares**” means the Company’s Series A-1 Preferred Shares.

1.42. “**Voting Agreement**” means the Amended and Restated Voting Agreement among the Company, the Investors and the other shareholders of the Company dated February 24, 2014.

2. Registration Rights. The Company covenants and agrees as follows:

2.1. Demand Registration.

(a) Form S-1 Demand. If at any time after the earlier of (i) April 3, 2015 or (ii) one hundred eighty (180) days after the effective date of the registration statement for an IPO completed under United States securities laws, the Company receives a request from Holders of twenty percent (20%) of the Investor Registrable Securities or from Holders of twenty percent (20%) of the Rainy Day Registrable Securities that the Company file a Form S-1 or Form F-1 or similar long form registration statement with respect to all or part of the Registrable Securities held by such Holders, then the Company shall (i) within ten (10) days after the date such request is given, give notice thereof (the “**Demand Notice**”) to all Holders other than the Initiating Holders; and (ii) as soon as practicable, and in any event within ninety (90) days after the date such request is given by the Initiating Holders, file a Form S-1 or Form F-1 registration statement under the Securities Act covering all Registrable Securities that the Initiating Holders requested to be registered and any additional Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within twenty (20) days of the date the Demand Notice is given, and in each case, subject to the limitations of Subsection 2.1(d), Subsection 2.1(e) and Subsection 2.3.

(b) Form S-3 Demand. If at any time when it is eligible to use a Form S-3, F-3 or S-10 registration statement, the Company receives a request from Holders of Registrable Securities then outstanding that the Company file a Form S-3, F-3 or S-10 registration statement with respect to outstanding Registrable Securities of such Holders having an anticipated aggregate offering price, net of Selling Expenses, of at least \$1 million, then the Company shall (i) within ten (10) days after the date such request is given, give a Demand Notice to all Holders other than the Initiating Holders; and (ii) as soon as practicable, and in any

event within forty-five (45) days after the date such request is given by the Initiating Holders, file a Form S-3, F-3 or S-10 registration statement under the Securities Act (and any related qualification or compliance documents or information) covering all Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within twenty (20) days of the date the Demand Notice is given, and in each case, subject to the limitations of Subsection 2.1(d), Subsection 2.1(f) and Subsection 2.3.

(c) Canadian Demand Qualification. If at any time after the earlier of (i) April 3, 2015 or (ii) one hundred eighty (180) days after the effective date of final prospectus for an IPO completed under Canadian Securities Laws, the Company receives a request from Holders of twenty percent (20%) of the Investor Registrable Securities or from the Holders of twenty percent (20%) of the Rainy Day Registrable Securities that the Company file a prospectus under Canadian Securities Laws qualifying for distribution all or part of the Registrable Securities held by such Holders, then the Company shall (i) within ten (10) days after the date such request is given, give a Demand Notice to all Holders other than the Initiating Holders; and (ii) as soon as practicable, and in any event within ninety (90) days after the date such request is given by the Initiating Holders, file a prospectus in the Qualifying Jurisdiction in order to qualify for distribution all Registrable Securities that the Initiating Holders requested to be included in a distribution and any additional Registrable Securities requested to be included in such distribution by any other Holders, as specified by notice given by each such Holder to the Company within twenty (20) days of the date the Demand Notice is given, and in each case, subject to the limitations of Subsection 2.1(d), Subsection 1.2(e) and Subsection 2.3.

(d) Notwithstanding the foregoing obligations, if the Company furnishes to Holders requesting a registration or distribution pursuant to this Subsection 2.1 a certificate signed by an officer of the Company stating that in the good faith judgment of the Company’s Board of Directors it would be materially detrimental to the Company and its shareholders either for such registration statement to either become effective or remain effective for as long as such registration statement otherwise would be required to remain effective or for the Company to file a prospectus in the Qualifying Jurisdiction, because such action would (i) materially interfere with a significant acquisition, corporate reorganization, or other similar transaction involving the Company; (ii) require premature disclosure of material information that the Company has a bona fide business purpose for preserving as confidential; or (iii) render the Company unable to comply with requirements under the Securities Act, Exchange Act or Canadian Securities Laws, then the Company shall have the right to defer taking action with respect to such filing for a period of not more than ninety (90) days after the request of the Initiating Holders is given; provided, however, that the Company may not invoke this right more than once in any twelve (12) month period; and provided further that the Company shall not during such ninety (90) day period (i) register any securities for its own account or that of any other shareholder other than pursuant to a registration relating to the sale of securities to employees of the Company or a subsidiary pursuant to a share option, share purchase, or similar plan; a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities; or a registration in which the only Common Shares being registered are Common Shares issuable upon conversion of debt securities that are also being registered or (ii) or file a prospectus in any Canadian jurisdiction.

(e) The Company shall not be obligated to effect, or to take any action to effect, any registration or qualification pursuant to Subsections 2.1(a)(i) or 2.1(c)(i) during the period that is sixty (60) days before the Company's good faith estimate of the date of filing of, and ending on a date that is one hundred eighty (180) days after the effective date of, a Company-initiated registration or qualification, provided, that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement or final prospectus to become effective; (ii) after the Company has effected two registrations or distributions pursuant to this Subsection 2.1; or (iii) if the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Subsection 2.1(b).

(f) The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Subsection 2.1(b) (i) during the period that is thirty (30) days before the Company's good faith estimate of the date of filing of, and ending on a date that is ninety (90) days after the effective date of, a Company-initiated registration, provided, that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective; or (ii) if the Company has effected two registrations pursuant to Subsection 2.1(b) within the twelve (12) month period immediately preceding the date of such request.

(g) Subject to Subsection 2.3(a), a registration shall not be counted as "effected" for purposes of Subsections 2.1(e) and (f) until such time as the applicable registration statement has been declared effective by the SEC and a prospectus shall not be considered "effective" for purposes of Subsections 2.1(e) and (f) until such time as the Company has filed and received receipts for such final prospectus from the Qualifying Jurisdiction, unless the Initiating Holders withdraw their request for such registration or qualification, elect not to pay the expenses therefor, and forfeit their right to one demand registration statement or qualification pursuant to Subsection 2.6, in which case such withdrawn registration statement or prospectus shall be counted as "effected" or "effective", as the case may be, for purposes of Subsections 2.1(e) and (f).

2.2. Company Registration.

(a) If the Company proposes to register (including, for this purpose, a registration effected by the Company for shareholders other than the Holders) any of its Common Shares under the Securities Act in connection with the public offering of such securities solely for cash (other than in an Excluded Registration), the Company shall, at such time, promptly give each Holder notice of such registration. Upon the request of each Holder given within twenty (20) days after such notice is given by the Company, the Company shall, subject to the provisions of Subsection 2.3, cause to be registered all of the Registrable Securities that each such Holder has requested to be included in such registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Subsection 2.2 before the effective date of such registration, whether or not any Holder has elected to include Registrable Securities in such registration. The expenses (other than Selling Expenses) of such withdrawn registration shall be borne by the Company in accordance with Subsection 2.6.

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(b) If the Company proposes to file a preliminary prospectus under any Canadian Securities Laws (including, for this purpose, a prospectus filed by the Company for shareholders other than the Holders) in connection with the sale of its Common Shares solely for cash, the Company shall, at such time, promptly give each Holder notice of such filing. Upon the request of each Holder given within twenty (20) days after such notice is given by the Company, the Company shall, subject to the provisions of Subsection 2.3, cause to be included in the filing and sold pursuant to such prospectus all of the Registrable Securities that each such Holder has requested to be included in such distribution. The Company shall have the right to terminate or withdraw any prospectus filing initiated by it under this Subsection 2.2 before receiving a receipt for a final prospectus, whether or not any Holder has elected to include Registrable Securities in such distribution. The expenses (other than Selling Expenses) of such withdrawn filing shall be borne by the Company in accordance with Subsection 2.6.

2.3. Underwriting Requirements.

(a) If, pursuant to Subsection 2.1, the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to Subsection 2.1, and the Company shall include such information in the Demand Notice. The underwriter(s) will be selected by the Initiating Holders, subject to the reasonable approval of the Board of Directors of the Company (including at least one Series A Director). In such event, the right of any Holder to include such Holder's Registrable Securities in such registration or qualification shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in Subsection 2.4(a)(v) and Subsection 2.4(b)(v)) enter into an underwriting agreement in customary form with the underwriter(s) selected for such underwriting. Notwithstanding any other provision of this Subsection 2.3, if the managing underwriter(s) advise(s) the Initiating Holders in writing that marketing factors require a limitation on the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities that otherwise would be underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be allocated among such Holders of Registrable Securities, including the Initiating Holders, in proportion (as nearly as practicable) to the number of Registrable Securities owned by each Holder or in such other proportion as shall mutually be agreed to by all such selling Holders; provided, however, that the number of Registrable Securities held by the Holders to be included in such underwriting shall not be reduced unless all other securities are first entirely excluded from the underwriting. To facilitate the allocation of shares in accordance with the above provisions, the underwriters may round the number of shares allocated to any Holder to the nearest one hundred (100) shares.

(b) In connection with any offering involving an underwriting of shares of the Company pursuant to Subsection 2.2, the Company shall not be required to include any of the Holders' Registrable Securities in such underwriting unless the Holders accept the terms of the underwriting as agreed upon between the Company and its underwriters, and then only in such quantity as the underwriters in their sole discretion determine will not jeopardize the success of the offering by the Company. If the total number of securities, including Registrable Securities, requested by shareholders to be included in such offering exceeds the number of

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securities to be sold (other than by the Company) that the underwriters in their reasonable discretion determine is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters and the Company in their sole discretion determine will not jeopardize the success of the offering. If the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be allocated among the selling Holders in proportion (as nearly as practicable to) the number of Registrable Securities owned by each selling Holder or in such other proportions as shall

mutually be agreed to by all such selling Holders. To facilitate the allocation of shares in accordance with the above provisions, the underwriters may round the number of shares allocated to any Holder to the nearest one hundred (100) shares. Notwithstanding the foregoing, in no event shall (i) the number of Registrable Securities included in the offering be reduced unless all other securities (other than securities to be sold by the Company) are first entirely excluded from the offering, (ii) the number of Registrable Securities included in the offering be reduced below thirty percent (30%) of the total number of securities included in such offering, unless such offering is the IPO, in which case the selling Holders may be excluded further if the underwriters make the determination described above and no other shareholder's securities are included in such offering, or (iii) notwithstanding (ii) above, any Registrable Securities which are not DS Registrable Securities or Director Investor Registrable Securities be excluded from such underwriting unless all DS Registrable Securities and Director Investor Registrable Securities are first excluded from such offering. For purposes of the provision in this Subsection 2.3(b) concerning apportionment, for any selling Holder that is a partnership, limited liability company, or corporation, the partners, members, retired partners, retired members, shareholders, and Affiliates of such Holder, or the estates and Immediate Family Members of any such partners, retired partners, members, and retired members and any trusts for the benefit of any of the foregoing Persons, shall be deemed to be a single "selling Holder," and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate number of Registrable Securities owned by all Persons included in such "selling Holder," as defined in this sentence.

(c) For purposes of Subsection 2.1, (i) a registration shall not be counted as "effected" if, as a result of an exercise of the underwriter's cutback provisions in Subsection 2.3(a), fewer than fifty percent (50%) of the total number of Registrable Securities that Holders have requested to be included in such registration statement are actually included and (ii) a prospectus shall not be counted as "effective" if, as a result of an exercise of the underwriter's cutback provisions in Subsection 2.3(a), fewer than fifty percent (50%) of the total number of Registrable Securities that Holders have requested to be included in such distribution are actually included.

2.4. Obligations of the Company.

(a) Whenever required under this Section 2 to effect the registration of any Registrable Securities under the Securities Act, the Company shall, as expeditiously as reasonably possible:

i. prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its commercially reasonable efforts to cause such

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registration statement to become effective and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to one hundred twenty (120) days or, if earlier, until the distribution contemplated in the registration statement has been completed; provided, however, that (i) such one hundred twenty (120) day period shall be extended for a period of time equal to the period the Holder refrains, at the request of an underwriter of Common Shares (or other securities) of the Company, from selling any securities included in such registration;

ii. prepare and file with the SEC such amendments and supplements to such registration statement, and the prospectus used in connection with such registration statement, as may be necessary to comply with the Securities Act in order to enable the disposition of all securities covered by such registration statement for the period set forth in Subsection 2.4(a)(i);

iii. furnish to the selling Holders such numbers of copies of a prospectus, including a preliminary prospectus, as required by the Securities Act, and such other documents as the Holders may reasonably request in order to facilitate their disposition of their Registrable Securities;

iv. use its commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or blue-sky laws of such jurisdictions as shall be reasonably requested by the selling Holders; provided that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

v. in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such agreement;

vi. use its commercially reasonable efforts to cause all such Registrable Securities covered by such registration statement to be listed on a national securities exchange or trading system and each securities exchange and trading system (if any) on which similar securities issued by the Company are then listed;

vii. provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and provide a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration;

viii. promptly make available for inspection by the selling Holders, any managing underwriter(s) participating in any disposition pursuant to such registration statement, and any attorney or accountant or other agent retained by any such underwriter or selected by the selling Holders, all financial and other records, pertinent corporate documents, and properties of the Company, and cause the Company's officers, directors, employees, and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant, or agent, in each case, as necessary or advisable to verify the accuracy of

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the information in such registration statement and to conduct appropriate due diligence in connection therewith;

ix. notify each selling Holder, promptly after the Company receives notice thereof, of the time when such registration statement has been declared effective or a supplement to any prospectus forming a part of such registration statement has been filed; and

x. after such registration statement becomes effective, notify each selling Holder of any request by the SEC that the Company amend or supplement such registration statement or prospectus.

(b) Whenever required under this Section 2 to effect the qualification of any Registrable Securities under Canadian Securities Laws, the Company shall, as expeditiously as reasonably possible:

- i. prepare and file with the securities regulatory authorities of the Qualifying Jurisdiction a preliminary prospectus and final prospectus with respect to such Registrable Securities and use its commercially reasonable efforts to obtain a receipt in respect of the final prospectus and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such prospectus effective for a period of up to one hundred twenty (120) days or, if earlier, until the distribution contemplated in the prospectus has been completed; provided, however, that (i) such one hundred twenty (120) day period shall be extended for a period of time equal to the period the Holder refrains, at the request of an underwriter of Common Shares (or other securities) of the Company, from selling any securities included in such distribution;
- ii. ensure that the prospectus contains the disclosure required by, and conforms in all material respects to the requirements of, the applicable provisions of Canadian Securities Laws and furnish to the Holders copies of each of the preliminary prospectus and final prospectus and such other documents as they may reasonably request to facilitate the disposition of Registrable Securities by them;
- iii. prepare and file with the securities regulatory authority in the Qualifying Jurisdiction any amendments and supplements to the prospectus that may be necessary to comply with Canadian Securities Laws with respect to the distribution of all securities qualified by such prospectus prepare and file with the securities regulatory authorities of the Qualifying Jurisdiction such amendments and supplements to such prospectus, as may be necessary to comply with Canadian Securities Laws in order to enable the disposition of all securities covered by such prospectus;
- iv. in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such agreement;
- v. furnish, at the request of any Holder requesting qualification of Registrable Securities pursuant to this Agreement, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with an offering pursuant to this

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Agreement, if such securities are being sold through underwriters or, if such securities are not being sold through underwriters, on the date on which a final receipt is issued in respect of a final prospectus by or on behalf of the securities regulatory authorities in the Qualifying Jurisdiction:

- (A) an opinion or opinions, dated such date, of counsel representing the Company for the purposes of such offering, in form and substance as is customarily given by issuer counsel to the underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting qualification of Registrable Securities; and
- (B) a letter dated such date, from the auditors of the Company, in form and substance as is customarily given by auditors to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting qualification of Registrable Securities, but only if such Holders have made such representations and furnished such undertakings as such auditors may reasonably require therefor;
- vi. keep each Holder whose Registrable Securities are being qualified reasonably advised of the status of such qualification;
- vii. use its commercially reasonable efforts to cause all such Registrable Securities covered by such prospectus to be listed on a national securities exchange or trading system and each securities exchange and trading system (if any) on which similar securities issued by the Company are then listed;
- viii. provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and provide a CUSIP number for all such Registrable Securities, in each case not later than the date on which a final receipt is issued in respect of a final prospectus by or on behalf of the securities regulatory authorities in the Qualifying Jurisdiction;
- ix. promptly make available for inspection by the selling Holders, any managing underwriter(s) participating in any disposition pursuant to such prospectus, and any attorney or accountant or other agent retained by any such underwriter or selected by the selling Holders, all financial and other records, pertinent corporate documents, and properties of the Company, and cause the Company's officers, directors, employees, and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant, or agent, in each case, as necessary or advisable to verify the accuracy of the information in such prospectus and to conduct appropriate due diligence in connection therewith; and
- x. notify each selling Holder, promptly after the Company receives notice thereof, of the Company's receiving a final receipt in respect of a final prospectus issued by or on behalf of the securities regulatory authorities in the Qualifying Jurisdiction.
- (c) To the extent permitted by law, the Company will indemnify and hold harmless each selling Holder, and the partners, In addition, the Company shall ensure that, at all times after any registration statement covering a public offering of securities of the Company under the Securities Act shall have become effective, its insider trading policy shall provide that

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the Company's directors may implement a trading program under Rule 10b5-1 of the Exchange Act.

2.5. Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 2 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as is reasonably required to effect the registration or qualification of such Holder's Registrable Securities.

2.6. Expenses. All expenses (other than Selling Expenses) incurred in connection with registrations, filings, or qualifications pursuant to Section 2, including all registration, filing, and qualification fees; printers' and accounting fees; fees and disbursements of counsel for the Company; and the reasonable fees and disbursements of one counsel for the selling Holders ("**Selling Holder Counsel**"), shall be borne and paid by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Subsection 2.1 if the registration or qualification request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered or qualified (in which case

all selling Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be included in the withdrawn registration or qualification), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one registration or qualification pursuant to Subsection 2.1(a), Subsection 2.1(b) or Subsection 2.1(c), as the case may be; provided further that if, at the time of such withdrawal, the Holders shall have learned of a material adverse change in the condition, business, or prospects of the Company from that known to the Holders at the time of their request and have withdrawn the request with reasonable promptness after learning of such information then the Holders shall not be required to pay any of such expenses and shall not forfeit their right to one registration or qualification pursuant to Subsection 2.1(a), Subsection 2.1(b) or Subsection 2.1(c). All Selling Expenses relating to Registrable Securities registered pursuant to this Section 2 shall be borne and paid by the Holders pro rata on the basis of the number of Registrable Securities registered or qualified on their behalf.

2.7. Delay of Registration or Qualification. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration or qualification pursuant to this Agreement as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

2.8. Indemnification. If any Registrable Securities are included in a registration statement or prospectus under this Section 2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each selling Holder, and the partners, members, officers, directors, and shareholders of each such Holder; legal counsel and accountants for each such Holder; any underwriter (as defined in the Securities Act or under Canadian Securities Laws, as the case may be) for each such Holder; and each Person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act or under Canadian Securities Laws, as the case may be, against any Damages, and the Company will pay to each such Holder,

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underwriter, controlling Person, or other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Subsection 2.8(a) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable for any Damages to the extent that they arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of any such Holder, underwriter, controlling Person, or other aforementioned Person expressly for use in connection with such registration.

(b) To the extent permitted by law, each selling Holder, severally and not jointly, will indemnify and hold harmless the Company, and each of its directors, each of its officers who has signed the registration statement or prospectus filed with any Canadian securities regulatory authority, each Person (if any), who controls the Company (within the meaning of the Securities Act or under Canadian Securities Laws, as the case may be), legal counsel and accountants for the Company, any underwriter (as defined in the Securities Act or under Canadian Securities Laws, as the case may be), any other Holder selling securities in such registration statement or under such prospectus, and any controlling Person of any such underwriter or other Holder, against any Damages, in each case only to the extent that such Damages arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of such selling Holder expressly for use in connection with such registration or qualification; and each such selling Holder will pay to the Company and each other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Subsection 2.8(b) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and provided further that in no event shall the aggregate amounts payable by any Holder by way of indemnity or contribution under Subsections 2.8(b) and 2.8(d) exceed the proceeds from the offering actually received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of fraud or willful misconduct by such Holder.

(c) Promptly after receipt by an indemnified party under this Subsection 2.8 of notice of the commencement of any action (including any governmental action) for which a party may be entitled to indemnification hereunder, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Subsection 2.8, give the indemnifying party notice of the commencement thereof. The indemnifying party shall have the right to participate in such action and, to the extent the indemnifying party so desires, participate jointly with any other indemnifying party to which notice has been given, and to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such

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counsel in such action. The failure to give notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Subsection 2.8.

(d) To provide for just and equitable contribution to joint liability under the Securities Act or under Canadian Securities Laws, as the case may be, in any case in which either (i) any party otherwise entitled to indemnification hereunder makes a claim for indemnification pursuant to this Subsection 2.8 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case, notwithstanding the fact that this Subsection 2.8 provides for indemnification in such case, or (ii) contribution under the Securities Act or under Canadian Securities Laws, as the case may be, may be required on the part of any party hereto for which indemnification is provided under this Subsection 2.8, then, and in each such case, such parties will contribute to the aggregate losses, claims, damages, liabilities, or expenses to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of each of the indemnifying party and the indemnified party in connection with the statements, omissions, or other actions that resulted in such loss, claim, damage, liability, or expense, as well as to reflect any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or allegedly untrue statement of a material fact, or the omission or alleged omission of a material fact, relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission; provided, however, that, in any such case, (x) no Holder will be required to contribute any amount in excess of the public offering price of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement, and (y) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation; and provided further that in no event shall a Holder's liability pursuant to this Subsection

2.8(d), when combined with the amounts paid or payable by such Holder pursuant to Subsection 2.8(b), exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of willful misconduct or fraud by such Holder.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) Unless otherwise superseded by an underwriting agreement entered into in connection with the underwritten public offering, the obligations of the Company and Holders under this Subsection 2.8 shall survive the completion of any offering of Registrable Securities in a registration under this Section 2, and otherwise shall survive the termination of this Agreement.

2.9. Reports Under Exchange Act. With a view to making available to the Holders the benefits of SEC Rule 144 and any other rule or regulation of the SEC that may at

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any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company shall:

(a) make and keep available adequate current public information, as those terms are understood and defined in SEC Rule 144, at all times after the effective date of the registration statement filed by the Company for the IPO;

(b) use commercially reasonable efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after the Company has become subject to such reporting requirements); and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) to the extent accurate, a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the effective date of the registration statement filed by the Company for the IPO), the Securities Act, and the Exchange Act (at any time after the Company has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after the Company so qualifies); (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company; and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration (at any time after the Company has become subject to the reporting requirements under the Exchange Act) or pursuant to Form S-3 (at any time after the Company so qualifies to use such form).

2.10. Limitations on Subsequent Registration and Qualification Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the Investor Registrable Securities and majority of the Rainy Day Registrable Securities then outstanding, enter into any agreement with any holder or prospective holder of any securities of the Company that allow such holder or prospective holder (i) to include such securities in any registration unless, under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not reduce the number of the Registrable Securities of the Holders that are included, (ii) allow such holder or prospective holder to initiate a demand for registration of any securities held by such holder or prospective holder or (iii) allow such holder or prospective holder to initiate a demand for qualification of any securities held by such holder or prospective holder for distribution under Canadian Securities Laws.

2.11. "Market Stand-off" Agreement. Each Holder hereby agrees that, upon the request of the Company or the managing underwriter, it will not, without the prior written consent of the Company and the managing underwriter, as the case may be, during the period commencing on the date of either (i) the final prospectus relating to the registration by the Company of its Common Shares or any other equity securities under the Securities Act on a registration statement on Form S-1 or F-1 or (ii) the date on which the Company receives a final receipt in respect of a final prospectus issued by or on behalf of the securities regulatory authorities in the Qualifying Jurisdiction, and ending on the date specified by the Company and

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the managing underwriter (such period not to exceed one hundred eighty (180) days in the case of the IPO) (i) lend; offer; pledge; sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right, or warrant to purchase; or otherwise transfer or dispose of directly or indirectly, any Common Shares or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Common Shares held immediately before the effective date of the registration statement or final prospectus for such offering or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Shares or other securities, in cash, or otherwise. The foregoing provisions of this Subsection 2.11 shall apply only to the IPO, shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, or the transfer of any shares to any trust for the direct or indirect benefit of the Holder or the immediate family of the Holder; provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein; and provided further that any such transfer shall not involve a disposition for value, and shall be applicable to the Holders only if all officers, directors and holders of more than one percent (1%) of the Company's outstanding Common Shares (after giving effect to the conversion of all outstanding Series A Preferred Shares and Series A-1 Preferred Shares) are subject to the same restrictions and the Company uses commercially reasonable efforts to obtain a similar agreement from all shareholders. The underwriters in connection with such registration are intended third-party beneficiaries of this Subsection 2.11 and shall have the right, power, and authority to enforce the provisions hereof as though they were a party hereto. Each Holder further agrees to execute such agreements as may be reasonably requested by the underwriters in connection with such public offering that are consistent with this Subsection 2.11 or that are necessary to give further effect thereto. Any discretionary waiver or termination of the restrictions of any or all of such agreements by the Company or the underwriters shall apply pro rata to all Holders subject to such agreements, based on the number of shares subject to such agreements.

2.12. Restrictions on Transfer.

(a) The Preferred Shares and the Registrable Securities shall not be sold, pledged, or otherwise transferred, and the Company shall not recognize and shall issue stop-transfer instructions to its transfer agent with respect to any such sale, pledge, or transfer, except upon the conditions specified in this Agreement, which conditions are intended to ensure compliance with the provisions of the Securities Act and Canadian Securities Laws. A transferring Holder will cause any proposed purchaser, pledgee, or transferee of the Preferred Shares and the Registrable Securities held by such Holder to agree to take and hold such securities subject to the provisions and upon the conditions specified in this Agreement.

(b) Each certificate or instrument representing (i) the Preferred Shares, (ii) the Registrable Securities, and (iii) any other securities issued in respect of the securities referenced in clauses (i) and (ii), upon any share split, share dividend, recapitalization, merger, consolidation, or similar event, shall (unless otherwise permitted by the provisions of Subsection 2.12(c)) be stamped or otherwise imprinted with a legend substantially in the following form:

THE SECURITIES REPRESENTED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE

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SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”) OR QUALIFIED UNDER APPLICABLE CANADIAN SECURITIES LAWS. SUCH SHARES MAY NOT BE SOLD, PLEDGED, OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR QUALIFICATION, OR A VALID EXEMPTION FROM THE REGISTRATION OR QUALIFICATION AND PROSPECTUS DELIVERY REQUIREMENTS OF THE ACT OR APPLICABLE CANADIAN SECURITIES LAWS.

THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE SHAREHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

The Holders consent to the Company making a notation in its records and giving instructions to any transfer agent of the Restricted Securities in order to implement the restrictions on transfer set forth in this Subsection 2.12.

(c) The holder of each certificate representing Restricted Securities, by acceptance thereof, agrees to comply in all respects with the provisions of this Section 2. Before any proposed sale, pledge, or transfer of any Restricted Securities, unless there is in effect a registration statement under the Securities Act covering the proposed transaction or the Company has received a final receipt in respect of a final prospectus issued by or on behalf of the securities regulatory authorities in the Qualifying Jurisdiction and the Restricted Securities can be freely traded under Canadian Securities Laws, the Holder thereof shall give notice to the Company of such Holder’s intention to effect such sale, pledge, or transfer. Each such notice shall describe the manner and circumstances of the proposed sale, pledge, or transfer in sufficient detail and, if reasonably requested by the Company, shall be accompanied at such Holder’s expense by, in the case of a transaction to which United States securities laws apply, either (i) a written opinion of legal counsel who shall, and whose legal opinion shall, be reasonably satisfactory to the Company, addressed to the Company, to the effect that the proposed transaction may be effected without registration under the Securities Act; (ii) a “no action” letter from the SEC to the effect that the proposed sale, pledge, or transfer of such Restricted Securities without registration will not result in a recommendation by the staff of the SEC that action be taken with respect thereto; or (iii) any other evidence reasonably satisfactory to counsel to the Company to the effect that the proposed sale, pledge, or transfer of the Restricted Securities may be effected without registration under the Securities Act, and, in the case of a transaction to which Canadian Securities Laws apply, a written opinion of legal counsel who shall, and whose legal opinion shall, be reasonably satisfactory to the Company, addressed to the Company, to the effect that the proposed transaction will be exempt from the registration and prospectus requirements under Canadian Securities Laws, whereupon the Holder of such Restricted Securities shall be entitled to sell, pledge, or transfer such Restricted Securities in accordance with the terms of the notice given by the Holder to the Company. The Company will not require such a legal opinion or “no action” letter (x) in any transaction in compliance with SEC Rule 144 or (y) in any transaction in which such Holder distributes Restricted Securities to an Affiliate of such Holder for no consideration; provided that each transferee agrees in writing to be subject to the terms of this Subsection 2.12. Each certificate or instrument evidencing the Restricted Securities transferred as above provided shall bear, except if such transfer is made pursuant to SEC Rule 144, the

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appropriate restrictive legend set forth in Subsection 2.12(b), except that such certificate shall not bear such restrictive legend if, in the opinion of counsel for such Holder and the Company, such legend is not required in order to establish compliance with any provisions of the Securities Act.

2.13. Termination of Registration and Qualification Rights. The right of any Holder to request registration or qualification of Registrable Securities or inclusion of Registrable Securities in any registration or distribution pursuant to Subsection 2.1 or Subsection 2.2 shall terminate upon the earliest to occur of:

(a) the closing of a Deemed Liquidation Event, as such term is defined in the Amended Articles;

(b) subject to any contractual commitments to the contrary, such time as Rule 144 or another similar exemption under the Securities Act is available for the sale of all of such Holder’s Registrable Securities without limitation during a three-month period without registration and the Holder is able to freely and immediately sell all of such Holder’s Registrable Securities without a prospectus or resort to a prospectus exemption under the applicable Canadian Securities Laws; and

(c) the fifth (5th) anniversary of the IPO.

3. Information and Observer Rights.

3.1. Delivery of Financial Statements. The Company shall deliver to each Investor, Founder and Director Investor:

(a) as soon as practicable, but in any event within ninety (90) days after the end of each fiscal year of the Company, (i) a balance sheet as of the end of such year, (ii) statements of income and of cash flows for such year, and a comparison between (x) the actual amounts as of and for such fiscal year and (y) the comparable amounts for the prior year and as included in the Budget (as defined in Subsection 3.1(c)) for such year, with an explanation of any material differences between such amounts and a schedule as to the sources and applications of funds for such year, and (iii) a statement of shareholders’ equity as of the end of such year, all such financial statements audited and certified by independent public accountants of nationally recognized standing selected by the Company;

(b) as soon as practicable, but in any event within thirty (30) days of the end of each month, (i) an unaudited balance sheet as of the end of such month, (ii) unaudited income statement and statement of cash flows for such month, and a comparison between (x) the actual amounts as of and for such month and (y) the comparable amounts included in the Budget (as defined in Subsection 3.1(c)) for such month, (iii) statement of shareholders’ equity as of

the end of such month, each prepared in accordance with GAAP (except that such financial statements may (A) be subject to normal year-end audit adjustments and (B) not contain all notes thereto that may be required in accordance with GAAP), and (iv) a report on employee and consultant headcount as of the end of such month;

(c) as soon as practicable, but in any event thirty (30) days before the end of each fiscal year, a budget and business plan for the next fiscal year (collectively, the

“Budget”), prepared on a monthly basis, including balance sheets, income statements, and statements of cash flow for such months and, promptly after prepared, any other budgets or revised budgets prepared by the Company;

(d) with respect to the financial statements called for in Subsection 3.1(b), an instrument executed by the chief financial officer and chief executive officer of the Company certifying that such financial statements were prepared in accordance with GAAP consistently applied with prior practice for earlier periods (except as otherwise set forth in Subsection 3.1(b)) and fairly present the financial condition of the Company and its results of operation for the periods specified therein; and

(e) such other information relating to the financial condition, business, prospects, or corporate affairs of the Company as any Investor or Founder may from time to time reasonably request; provided, however, that the Company shall not be obligated under this Subsection 3.1 to provide information (i) that the Company determines, based on advice of counsel, to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company) or (ii) the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

If, for any period, the Company has any subsidiary whose accounts are consolidated with those of the Company, then in respect of such period the financial statements delivered pursuant to the foregoing sections shall be the consolidated and consolidating financial statements of the Company and all such consolidated subsidiaries.

Notwithstanding anything else in this Subsection 3.1 to the contrary, the Company may cease providing the information set forth in this Subsection 3.1 during the period starting with the date thirty (30) days before the Company’s good-faith estimate of the date of filing of a registration statement or preliminary prospectus if it reasonably concludes it must do so to comply with the applicable SEC rules or Canadian Securities Laws; provided that the Company’s covenants under this Subsection 3.1 shall be reinstated at such time as the Company is no longer actively employing its commercially reasonable efforts to cause such registration statement to become effective or to file and receive a receipt for a preliminary of final prospectus.

3.2. Inspection. The Company shall permit each Investor and Founder, at such Investor or Founder’s expense, to visit and inspect the Company’s properties; examine its books of account and records; and discuss the Company’s affairs, finances, and accounts with its officers, during normal business hours of the Company as may be reasonably requested by the Investor or Founder; provided, however, that the Company shall not be obligated pursuant to this Subsection 3.2 to provide access to any information that it determines, based on advice of counsel to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company) or the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

3.3. Termination of Information Rights. The covenants set forth in Subsection 3.1, and Subsection 3.2 shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act or under Canadian

Securities Laws, or (iii) upon a Deemed Liquidation Event, as such term is defined in the Amended Articles, whichever event occurs first. In addition, the rights of a Founder under Sections 3.1 and 3.2 shall terminate if such Founder violates any non-compete or confidentiality agreement with the Company or if and when such Founder owns less than ten percent (10%) of the outstanding Common Shares (assuming the conversion of all outstanding Series A Preferred Shares and Series A-1 Preferred Shares) and the rights of a Director Investor under Sections 3 and 4 shall terminate when such Director Investor owns less than one percent (1%) of the outstanding Common Shares (assuming the conversion of all outstanding Series A Preferred Shares and Series A-1 Preferred Shares).

4. Rights to Future Share Issuances.

4.1. Right of First Offer. Subject to the terms and conditions of this Subsection 4.1 and applicable securities laws, if the Company proposes to offer or sell any New Securities, the Company shall first offer such New Securities to each First Offeree. A First Offeree shall be entitled to apportion the right of first offer hereby granted to it in such proportions as it deems appropriate, among itself and its Affiliates.

(a) The Company shall give notice (the “Offer Notice”) to each First Offeree, stating (i) its bona fide intention to offer such New Securities, (ii) the number of such New Securities to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such New Securities.

(b) By notification to the Company within twenty (20) days after the Offer Notice is given, each First Offeree may elect to purchase or otherwise acquire, at the price and on the terms specified in the Offer Notice, up to that portion of such New Securities which equals the proportion that the Common Shares issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Preferred Shares and any other Derivative Securities then held, by such First Offeree bears to the total Common Shares of the Company then outstanding (assuming full conversion and/or exercise, as applicable of all Preferred Shares and any other Derivative Securities then outstanding). Each First Offeree, in its sole discretion, may condition its purchase of its applicable portion of the New Securities on the purchase of the Company’s sale of all the New Securities offered in the Offer Notice. At the expiration of such twenty (20) day period, the Company shall promptly notify each First Offeree that elects to purchase or acquire all the shares available to it (each, a “Fully Exercising Purchaser”) of any other First Offeree’s failure to do likewise. During the ten (10) day period commencing after the Company has given such notice, each Fully Exercising Purchaser may, by giving notice to the Company, elect to purchase or acquire, in addition to the number of shares specified above, up to that portion of the New Securities for which First Offerees were entitled to subscribe but that were not subscribed for by the First Offerees which is equal to the proportion that the Common Shares issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of Preferred Shares and any other Derivative Securities then held, by such Fully Exercising Investor bears to the Common Shares issued and held, or issuable

the later of ninety (90) days of the date that the Offer Notice is given and the date of initial sale of New Securities pursuant to Subsection 4.1(c).

(c) If all New Securities referred to in the Offer Notice are not elected to be purchased or acquired as provided in Subsection 4.1(b), the Company may, during the forty-five (45) day period following the expiration of the periods provided in Subsection 4.1(b), offer and sell the remaining unsubscribed portion of such New Securities to any Person or Persons at a price not less than, and upon terms no more favorable to the offeree than, those specified in the Offer Notice. If the Company does not enter into an agreement for the sale of the New Securities within such period, or if such agreement is not consummated within thirty (30) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such New Securities shall not be offered unless first reoffered to the First Offeree in accordance with this Subsection 4.1.

(d) The right of first offer in this Subsection 4.1 shall not be applicable to (i) Exempted Securities (as defined in the Amended Articles) and (ii) Common Shares issued in the IPO.

(e) The right of first offer set forth in this Subsection 4.1 shall terminate with respect to any First Offeree who sells, transfers or otherwise disposes of more than thirty-three and one-third percent (33⅓%) of the Common Shares issued and held (or issuable upon conversion and/or exercise, as applicable, of Preferred Shares and any other Derivative Securities) by such First Offeree and its Affiliates as of the date of this Agreement to one or more third parties (other than to the Company or an Affiliate of such First Offeree). Following any such termination, this Subsection 4.1 shall not apply to such First Offeree for any purpose.

4.2. Termination. The covenants set forth in Subsection 4.1 shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, or (ii) upon a Deemed Liquidation Event, as such term is defined in the Amended Articles, whichever event occurs first and, as to each First Offeree, in accordance with Subsection 4.1(e).

5. Additional Covenants.

5.1. Employee Agreements. Except as set forth on Schedule 3.19 of the Disclosure Schedule to the Subscription and Purchase Agreement, each Key Employee has entered into a nondisclosure and proprietary rights assignment agreement, and the Company will use commercially reasonable efforts to cause (i) each individual listed on Schedule 3.19 of the Disclosure Schedule to the Subscription and Purchase Agreement and (ii) each Key Employee hereafter employed by it or by any subsidiary (or engaged by the Company or any subsidiary as a consultant/independent contractor) to enter into a nondisclosure and proprietary rights assignment agreement. In addition, the Company shall not amend, modify, terminate, waive, or otherwise alter, in whole or in part, any of the above-referenced agreements or any restricted equity agreement between the Company and any employee, without the consent of the Board of Directors.

5.2. Employee Equity. Unless otherwise approved by the compensation committee of the Board of Directors (or if the Company has not established a compensation committee, the Board of Directors), all future employees and consultants of the Company who purchase, receive options to purchase, or receive awards of the Company's share capital after April 3, 2012 shall be required to execute restricted share or option agreements, as applicable, providing for (i) vesting of shares over a four (4) year period, with the first twenty-five percent (25%) of such shares vesting following twelve (12) months of continued employment or service, and the remaining shares vesting in equal monthly installments over the following thirty-six (36) months and (ii) a market stand-off provision substantially similar to that in Subsection 2.11. In addition, unless otherwise approved by the compensation committee of the Board of Directors (or if the Company has not established a compensation committee, the Board of Directors), the Company shall retain a "right of first refusal" on employee transfers until the Company's IPO and shall have the right to repurchase unvested shares at cost upon termination of employment of a holder of restricted shares.

5.3. Matters Requiring Investor Director Approval. So long as the holders of Series A Preferred Shares are entitled to elect a Series A Director, the Company hereby covenants and agrees with each of the Investors that it shall not, without approval of the Board of Directors, which approval must include the affirmative vote of all the Series A Directors and a majority of the Rainy Day Directors:

- (a) approve the annual operating and capital budget of the Company;
- (b) increase the number of Common Shares reserved for issuance to employees or directors of, or consultants or advisors to the Company pursuant to the Company's employee share or option plans previously approved by the Board of Directors;
- (c) incur any aggregate indebtedness for borrowed money in excess of the principal amount of Cdn\$10,000,000;
- (d) make, or permit any subsidiary to make, any loan or advance to any Person, including, without limitation, any employee or director of the Company or any subsidiary, except advances and similar expenditures in the ordinary course of business;
- (e) otherwise enter into or be a party to any transaction with any director, officer, or employee of the Company or any "associate" (as defined in Rule 12b-2 promulgated under the Exchange Act) of any such Person, except for transactions contemplated by this Agreement, the Subscription and Purchase Agreement, and the Transaction Agreements (as defined in the Subscription and Purchase Agreement);
- (f) subject to Section 9 of the Amended and Restated Voting Agreement, hire, terminate, or change the compensation of the executive officers, including approving any option grants or share awards to executive officers;
- (g) appoint a new Chief Executive Officer of the Company;
- (h) change the principal business of the Company, enter new lines of business, or exit the current line of business; or

(i) amend the terms of the Rainy Day Debt (as defined in the Subscription and Purchase Agreement).

5.4. Board Matters. Unless otherwise determined by the vote of a majority of the directors then in office, the Board of Directors shall meet at least once every eight (8) weeks in accordance with an agreed-upon schedule. The Company shall reimburse the directors for all reasonable out-of-pocket expenses incurred in connection with attending meetings of the Board of Directors and in performance of their duties as directors of the Company. The Company shall cause to be established, as soon as practicable following the date of this Agreement, and will maintain, an audit and compensation committee, each of which shall include at least one Series A Director and one Rainy Day Director. The audit committee shall consist solely of non-employee directors.

5.5. Successor Indemnification. If the Company or any of its successors or assignees consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger, then to the extent necessary, proper provision shall be made so that the successors and assignees of the Company assume the obligations of the Company with respect to indemnification of members of the Board of Directors as in effect immediately before such transaction, whether such obligations are contained in the Company's Bylaws, its Amended Articles, or elsewhere, as the case may be.

5.6. Taxable Canadian Property. The Company covenants and agrees that, subject to the consent of the Investors, at no time will more than fifty percent (50%) of the fair market value of the Preferred Shares or Common Shares of the Company be derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource property, timber resource property, and any options or interests in respect thereof.

5.7. [intentionally omitted.]

5.8. Termination of Covenants. The covenants set forth in this Section 5, except for Subsection 5.5, shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO or (ii) upon a Deemed Liquidation Event, as such term is defined in the Amended Articles, whichever event occurs first.

6. Miscellaneous.

6.1. Successors and Assigns. The rights under this Agreement may be assigned (but only with all related obligations) by a Holder to a transferee of Registrable Securities that (i) is an Affiliate or a shareholder of a Holder; or (ii) is a Holder's Immediate Family Member or trust for the benefit of an individual Holder or one or more of such Holder's Immediate Family Members; provided, however, that (x) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee and the Registrable Securities with respect to which such rights are being transferred; and (y) such transferee agrees in a written instrument delivered to the Company to be bound by and subject to the terms and conditions of this Agreement, including the provisions of Subsection 2.11. The terms and conditions of this Agreement inure to the benefit of and are binding upon the

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respective successors and permitted assignees of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assignees any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

6.2. Governing Law. This Agreement shall be governed by the laws of the Province of Quebec and the federal laws of Canada applicable therein.

6.3. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

6.4. Titles and Subtitles. The titles and subtitles used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

6.5. Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or: (i) personal delivery to the party to be notified; (ii) when sent, if sent by electronic mail or facsimile during the recipient's normal business hours, and if not sent during normal business hours, then on the recipient's next business day; (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one (1) business day after the business day of deposit with a nationally recognized overnight courier, freight prepaid, specifying next-day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their addresses as set forth on Schedule A or Schedule B (as applicable) hereto, or to the principal office of the Company and to the attention of the Chief Executive Officer, in the case of the Company, or to such email address, facsimile number, or address as subsequently modified by written notice given in accordance with this Subsection 6.5. If notice is given to the Company, a copy shall also be sent to Stikeman Elliott LLP, 1155 Rene-Levesque Boulevard West, 40th Floor, Montreal, QC, Canada H3B 3V2, Attention: Sidney M. Horn, and if notice is given to the Investors, a copy shall also be given to Wilmer Cutler Pickering Hale and non LLP, P, 60 State Street, Boston, MA 02109, Attention: Mark G. Borden.

6.6. Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of the Company, the holders of a majority of the Rainy Day Registrable Securities and the holders of a majority of the Investor Registrable Securities; provided that the Company may in its sole discretion waive compliance with Subsection 2.12(c) (and the Company's failure to object promptly in writing after notification of a proposed assignment allegedly in violation of Subsection 2.12(c) shall be deemed to be a waiver); and provided further that any provision hereof may be waived by any waiving party on such party's own behalf, without the consent of any other party. Notwithstanding the foregoing, this Agreement may not be amended or terminated and the observance of any term hereof may not be waived with respect to any Investor or Director Investor without the written consent of such Investor or Director Investor,

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unless such amendment, termination, or waiver applies to all Investors and, in the case of the Director Investor, to all Investors and the Director Investor, in the same fashion (it being agreed that a waiver of the provisions of Section 4 with respect to a particular transaction shall be deemed to apply to all Investors and

Director Investor in the same fashion if such waiver does so by its terms, notwithstanding the fact that certain Investors or Director Investor may nonetheless, by agreement with the Company, purchase securities in such transaction). The Company shall give prompt notice of any amendment or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, termination, or waiver. Any amendment, termination, or waiver effected in accordance with this Subsection 6.6 shall be binding on all parties hereto, regardless of whether any such party has consented thereto. No waivers of or exceptions to any term, condition, or provision of this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, condition, or provision.

6.7. Severability. In case any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and such invalid, illegal, or unenforceable provision shall be reformed and construed so that it will be valid, legal, and enforceable to the maximum extent permitted by law.

6.8. Aggregation of Shares. All shares of Registrable Securities held or acquired by (a) Affiliates or shareholders of Holders, (b) a member of Holder's Immediate Family, or (c) a trust for the benefit of an individual Holder or such Holder's Immediate Family Member shall be aggregated together for the purpose of determining the availability of any rights under this Agreement and such Affiliated persons may apportion such rights as among themselves in any manner they deem appropriate.

6.9. Entire Agreement. This Agreement (including any Schedules and Exhibits hereto), together with the Amended Articles and the other Transaction Agreements (as defined in the Subscription and Purchase Agreement), as amended and restated from time to time, constitutes the full and entire understanding and agreement among the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties is expressly canceled.

6.10. Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power, or remedy of such nonbreaching or nondefaulting party, nor shall it be construed to be a waiver of or acquiescence to any such breach or default, or to any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. All remedies, whether under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

6.11. Acknowledgment. The Company acknowledges that the Investors are in the business of venture capital investing and therefore review the business plans and related proprietary information of many enterprises, including enterprises which may have products or services which compete directly or indirectly with those of the Company. Nothing in this

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Agreement shall preclude or in any way restrict the Investors from investing or participating in any particular enterprise whether or not such enterprise has products or services which compete with those of the Company.

6.12. Language. The parties have expressly requested and are satisfied that the present document be drafted in English; *Les parties aux présentes reconnaissent avoir demandé et être satisfaits de la rédaction en anglais de la présente*.

[Remainder of Page Intentionally Left Blank]

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above,

COMPANY:

DAVIDsTEA Inc.

By: _____ /s/ Jevin Eagle

Name: Jevin Eagle

Title: CEO

Address:

INVESTORS:

Highland Consumer Fund I Limited Partnership

By: Highland Consumer GP Limited Partnership,
its General Partner

By: Highland Consumer GP GP LLC,
its General Partners

By: _____ /s/ Authorized Person

Authorized Manager

Highland Consumer Fund I-B Limited

Partnership

By: Highland Consumer GP Limited Partnership,
its General Partner

By: Highland Consumer GP GP LLC,
its General Partner

By: /s/ Authorized Person
 Authorized Manager

**Highland Consumer Entrepreneurs Fund I
Limited Partnership**

By: Highland Consumer GP Limited Partnership,
its General Partner

By: Highland Consumer GP GP LLC,
its General Partner

By: /s/ Authorized Person
 Authorized Manager

INVESTORS:

Whil Concepts Inc.

By: /s/ Dennis J. Wilson
Name: Dennis J. Wilson
Title: Director

INVESTORS:

Rainy Day Investments Ltd.

By: /s/ Herschel Segal
Name: Herschel Segal
Title:

DIRECTOR INVESTOR:

Capital GVR Inc.

By: /s/ Pierre Michaud
Name: Pierre Michaud
Title:

FOUNDERS:

Rainy Day Investments Ltd.

By: /s/ Herschel Segal
Name: Herschel Segal
Title:

David Segal

By: /s/ David Segal
Name: David Segal

SCHEDULE A

INVESTORS

Highland Consumer Fund I Limited Partnership

c/o Highland Capital Partners, LLC
One Broadway, 16th Floor
Cambridge, MA 02142
Attention: General Counsel
Facsimile: 781-861-5499

Highland Consumer Fund I-B Limited Partnership

c/o Highland Capital Partners, LLC
One Broadway, 16th Floor
Cambridge, MA 02142
Attention: General Counsel
Facsimile: 781-861-5499

Highland Consumer Entrepreneurs Fund I Limited Partnership

c/o Highland Capital Partners, LLC
One Broadway, 16th Floor
Cambridge, MA 02142 Attention: General Counsel
Facsimile: 781-861-5499

0936441 B.C. Ltd

#2-2108 West 4th Avenue
Vancouver, B.C.
Canada
V6K 1N6
Telephone: (604) 737-7232
Facsimile: (604) 737-7267

Rainy Day Investments Ltd.

DAVIDsTEA INC.

AMENDED AND RESTATED RIGHT OF FIRST REFUSAL AND CO-SALE
AGREEMENT

FEBRUARY 24, 2014

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AMENDED AND RESTATED RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT

THIS AMENDED AND RESTATED RIGHT OF FIRST REFUSAL AND COSALE AGREEMENT is made as of the 24th day of February, 2014 by and among DAVIDsTEA Inc., a Canadian corporation (the “**Company**”), the Investors listed on Schedule A, the Key Holders listed on Schedule B and the Common Shareholders listed on Schedule C.

RECITALS

WHEREAS, each Shareholder is the beneficial owner of Capital Shares;

WHEREAS, the Company, Highland Consumer Fund I Limited Partnership, Highland Consumer Fund I-B Limited Partnership, Highland Consumer Entrepreneurs Fund I Limited Partnership (collectively, “**Highland**”), Whil Concepts Inc. (formerly 0936441 B.C. Ltd.), David Segal and Rainy Day Investments Ltd. (“**Rainy Day**”) have entered into a Series A Preferred Shares Subscription and Purchase Agreement on April 3, 2012 (the “**Subscription and Purchase Agreement**”);

WHEREAS, the Company, Highland, Whil Concepts Inc., Rainy Day, David Segal and Howard Tafler have entered into a right of first refusal and co-sale agreement on April 3, 2012 (the “**Original Right of First Refusal Right Agreement**”) to further induce Highland and Whil Concepts Inc. to purchase the Series A Preferred Shares;

WHEREAS, on February 24, 2014, the articles of the Company were amended in order to create a third series of Preferred Shares designated as Series A-l Preferred Shares;

WHEREAS, on February 24, 2014, the Company issued an aggregate amount of 681,073 Series A-l Preferred Shares to the Investors, Rainy Day and Capital GVR Inc.;

AND WHEREAS it is considered desirable to amend and restate the terms of the Original Right of First Refusal Agreement on the terms set out herein;

NOW, THEREFORE, the Company, the Key Holders and the Investors agree as follows:

1. Definitions.

1.1. “**Affiliate**” means, with respect to any person, any other person who directly or indirectly, controls, is controlled by or is under common control with such person, including without limitation any general partner, managing member, officer or director of such person, or any venture capital fund now or hereafter existing which is controlled by one or more general partners or managing members of, or shares the same management company with, such person.

1.2. “**Amended Articles**” means the Company’s Articles of Amendment, as they are at the relevant time.

1.3. “**Capital Shares**” means (a) Common Shares and Preferred Shares (whether now outstanding or hereafter issued in any context), (b) Common Shares issued or issuable upon the conversion of Preferred Shares and (c) Common Shares issued or issuable upon the exercise or conversion, as applicable, of share options, warrants or other convertible securities of the Company, and issued in connection with any share split, share dividend, recapitalization, reorganization or the like, in each case now owned or subsequently acquired by any Common Shareholder, any Key Holder or any Investor. For purposes of the number of Capital Shares held by an Investor, Key Holder or Common Shareholder (or any other calculation based thereon), all Preferred Shares shall be deemed to have been converted into Common Shares at the then-applicable conversion ratio pursuant to the Amended Articles.

1.4. “**Change of Control**” means (a) a transaction or series of related transactions in which a person, or a group of related persons, acquires from shareholders of the Company shares representing more than fifty percent (50%) of the outstanding voting power of the Company, or (b) a transaction that qualifies as a “Deemed Liquidation Event” as defined in the Amended Articles.

1.5. “**Common Shareholder**” means the persons named on Schedule C hereto, each person to whom Common Shares are issued after the date hereof, and each person to whom the rights of a Common Shareholder are assigned pursuant to the terms of this Agreement or the Voting Agreement; provided that such any such person has signed a counterpart to this Agreement in accordance with the terms of Subsection 6.8.

1.6. “**Common Shares**” means Common Shares of the Company.

1.7. “**Company Notice**” means written notice from the Company notifying the selling Shareholders that the Company intends to exercise its Right of First Refusal as to some or all of the Transfer Shares with respect to any Proposed Transfer.

1.8. “**Exercise Notice**” means written notice from an Investor or Key Holder Notifying the Company and the selling Common Shareholder that such Investor or Key Holder intends to exercise its Secondary Refusal Right as to a portion of the Transfer Shares with respect to any Proposed Transfer.

1.9. “**Investors**” means the persons named on Schedule A hereto, each person to whom Series A Preferred Shares are issued after the date hereof, each person to whom the rights of an Investor are assigned pursuant to the terms of this Agreement or the Voting Agreement; provided that such person to which Series A Preferred Shares are issued or assigned has signed a counterpart to this Agreement in accordance with the terms of Subsection 6.8.

1.10. “**Junior Preferred Shares**” means the Junior Preferred Shares of the Company.

1.11. “**Key Holders**” means the persons named on Schedule B hereto, each person to whom Junior Preferred Shares or Series A-l Preferred Shares are issued after the date hereof, each person to whom the rights of a Key Holder are assigned pursuant to the terms of this Agreement or the Voting Agreement; provided that such person to which Junior Preferred Shares

or Series A-I Preferred Shares are issued or assigned has signed a counterpart to this Agreement in accordance with the terms of Subsection 6.8.

- 1.12. **“Preferred Shares”** means, collectively, all of the Series A Preferred Shares, all of the Series A-I Preferred Shares and all Junior Preferred Shares.
- 1.13. **“Proposed Transfer”** means any assignment, sale, offer to sell, pledge, mortgage, hypothecation, encumbrance, disposition of or any other like transfer or encumbering of any Transfer Shares of the Company (or any interest therein) proposed by any Shareholder.
- 1.14. **“Proposed Transfer Notice”** means written notice from any Shareholder setting forth the terms and conditions of a Proposed Transfer.
- 1.15. **“Prospective Transferee”** means any person to whom a Shareholder proposes to make a Proposed Transfer.
- 1.16. **“Right of Co-Sale”** means the right, but not an obligation, of an Investor or Key Holder to participate in a Proposed Transfer on the terms and conditions specified in the Proposed Transfer Notice.
- 1.17. **“Right of First Refusal”** means the right, but not an obligation, of the Company, or its permitted transferees or assigns, to purchase some or all of the Transfer Shares with respect to a Proposed Transfer, on the terms and conditions specified in the Proposed Transfer Notice.
- 1.18. **“Secondary Notice”** means written notice from the Company notifying the Investors, Key Holders and the selling Shareholder that the Company does not intend to exercise its Right of First Refusal as to all Transfer Shares with respect to any Proposed Transfer.
- 1.19. **“Secondary Refusal Right”** means the right, but not an obligation, of each Investor and Key Holder to purchase up to its pro rata portion (based upon the total number of Capital Shares then held by all Investors and Key Holders) of any Transfer Shares not purchased pursuant to the Right of First Refusal, on the terms and conditions specified in the Proposed Transfer Notice.
- 1.20. **“Shareholders”** means, collectively, the Investors, the Key Holders and the Common Shareholders.
- 1.21. **“Transfer Shares”** means (i) for all purposes hereof, Capital Shares owned by a Capital Shareholder, or issued to a Common Shareholder after the date hereof (including, without limitation, in connection with any share split, share dividend, recapitalization, reorganization, or the like), and (ii) for purposes of Subsection 2.1(a) and Subsection 2.2 only, Capital Shares owned by an Investor or Key Holder, or issued to an Investor or Key Holder after the date hereof (including, without limitation, in connection with any share split, share dividend, recapitalization, reorganization, or the like).
-

1.22. **“Undersubscription Notice”** means written notice from an Investor or Key Holder notifying the Company and the selling Common Shareholder that such Investor or Key Holder intends to exercise its option to purchase all or any portion of the Transfer Shares not purchased pursuant to the Right of First Refusal or the Secondary Refusal Right.

1.23. **“Voting Agreement”** means the Amended and Restated Voting Agreement among the parties hereto dated February 24, 2014.

2. Agreement Among the Company and the Shareholders.

2.1. Right of First Refusal.

(a) Grant. Subject to the terms of Section 3 below, each Shareholder hereby unconditionally and irrevocably grants to the Company a Right of First Refusal to purchase all or any portion of Transfer Shares that such Shareholder may propose to transfer in a Proposed Transfer, at the same price and on the same terms and conditions as those offered to the Prospective Transferee.

(b) Notice. Each Shareholder proposing to make a Proposed Transfer (a **“Transferring Shareholder”**) must deliver a Proposed Transfer Notice to the Company, each Investor and Key Holder not later than forty-five (45) days prior to the consummation of such Proposed Transfer. Such Proposed Transfer Notice shall contain the material terms and conditions (including price and form of consideration) of the Proposed Transfer and the identity of the Prospective Transferee. To exercise its Right of First Refusal under this Section 2, the Company must deliver a Company Notice to the Transferring Shareholder within fifteen (15) days after delivery of the Proposed Transfer Notice; provided that if the Company fails to deliver a Company Notice within such fifteen (15)-day period, the Company shall be deemed to have delivered a Secondary Notice with respect to the Proposed Transfer pursuant to Subsection 2.1(c). In the event of a conflict between this Agreement and any other agreement that may have been entered into by a Transferring Shareholder with the Company prior to the date of this Agreement that contains a right of first refusal (including without limitation any equity participation agreement or subscription agreement), the Company and each Shareholder acknowledge and agree that the terms of this Agreement shall control and the preexisting right of first refusal shall be deemed satisfied by compliance with Subsection 2.1(a) and this Subsection 2.1(b).

(c) Grant of Secondary Refusal Right to Investors and Key Holders. Subject to the terms of Section 3 below, each Common Shareholder hereby unconditionally and irrevocably grants to the Investors and Key Holders a Secondary Refusal Right to purchase all or any portion of the Transfer Shares not purchased by the Company pursuant to the Right of First Refusal, as provided in this Subsection 2.1. If the Company does not intend to exercise its Right of First Refusal with respect to all Transfer Shares subject to a Proposed Transfer or does not deliver a Company Notice within the fifteen (15)-day period described in Subsection 2.1(b), the Company must deliver (or will be deemed to have delivered) a Secondary Notice to the Transferring Shareholder and to each Investor and Key Holder to that effect no later than fifteen (15) days after the Transferring Shareholder delivers the Proposed Transfer Notice to the Company. To exercise its Secondary Refusal Right, an Investor or Key Holder must deliver an

Exercise Notice to the Transferring Shareholder and the Company within ten (10) days after the Company’s deadline for its delivery of the Secondary Notice as provided in the preceding sentence.

(d) Undersubscription of Transfer Shares. If options to purchase have been exercised by the Company, the Investors and Key Holders with respect to some but not all of the Transfer Shares by the end of the 10-day period specified in the last sentence of Subsection 2.1(c) (the **“Investor/Key Holder Notice Period”**), then the Company shall, immediately after the expiration of the Investor/Key Holder Notice Period, send written notice (the **“Company Undersubscription Notice”**) to those Investors and Key Holders who fully exercised their Secondary Refusal Right within the Investor/Key Holder Notice Period (the **“Exercising Holders”**). Each Exercising Holder shall, subject to the provisions of this Subsection 2.1(d), have an additional option to

purchase all or any part of the balance of any such remaining unsubscribed Transfer Shares on the terms and conditions set forth in the Proposed Transfer Notice. To exercise such option, Exercising Holder must deliver an Undersubscription Notice to the Transferring Shareholder and the Company within ten (10) days after the expiration of the Investor/Key Holder Notice Period. In the event there are two or more such Exercising Holders that choose to exercise the last-mentioned option for a total number of remaining shares in excess of the number available, the remaining shares available for purchase under this Subsection 2.1(d) shall be allocated to such Exercising Holders pro rata based on the number of Transfer Shares such Exercising Holders have elected to purchase pursuant to the Secondary Refusal Right (without giving effect to any Transfer Shares that any such Exercising Holder has elected to purchase pursuant to the Company Undersubscription Notice). If the options to purchase the remaining shares are exercised in full by the Exercising Holders, the Company shall immediately notify all of the Exercising Holders and the Transferring Shareholder of that fact.

(e) Consideration; Closing. If the consideration proposed to be paid for the Transfer Shares is in property, services or other non-cash consideration, the fair market value of the consideration shall be as determined in good faith by the Company's Board of Directors and as set forth in the Company Notice. If the Company or any Investor or Key Holder cannot for any reason pay for the Transfer Shares in the same form of non-cash consideration, the Company or such Investor or Key Holder may pay an amount in cash that is equal in value to the fair market value thereof, as determined in good faith by the Board of Directors and as set forth in the Company Notice. The closing of the purchase of Transfer Shares by the Company, the Investors and Key Holders shall take place, and all payments from the Company, the Investors and the Key Holders shall have been delivered to the Transferring Shareholder, by the later of (i) the date specified in the Proposed Transfer Notice as the intended date of the Proposed Transfer and (ii) forty-five (45) days after delivery of the Proposed Transfer Notice.

2.2. Right of Co-Sale.

(a) Exercise of Right. If any Transfer Shares subject to a Proposed Transfer are not purchased pursuant to Subsection 2.1 above and thereafter are to be sold to a Prospective Transferee, each Investor and Key Holder may elect to exercise its Right of Co-Sale and participate on a pro rata basis in the Proposed Transfer as set forth in Subsection 2.2(b) below and, subject to Subsection 2.2(d), otherwise on the same terms and conditions specified in

the Proposed Transfer Notice. Each Investor and Key Holder who desires to exercise its Right of Co-Sale (each, a **"Participating Seller"**) must give the Company and the Transferring Shareholder written notice to that effect within fifteen (15) days after the deadline for delivery of the Secondary Notice described above, and upon giving such notice, such Participating Seller shall be deemed to have effectively exercised the Right of Co-Sale.

(b) Shares Includable. Each Participating Seller may include in the Proposed Transfer all or any part of such Participating Seller's Capital Shares equal to the product obtained by multiplying (i) the aggregate number of Transfer Shares subject to the Proposed Transfer (excluding shares purchased by the Company or the Participating Seller pursuant to the Right of First Refusal or the Secondary Refusal Right), by (ii) a fraction, the numerator of which is the number of Capital Shares owned by such Participating Seller immediately before consummation of the Proposed Transfer (including any shares that the Participating Seller has agreed to purchase pursuant to the Secondary Refusal Right) and the denominator of which is the total number of Capital Shares owned, in the aggregate, by all Participating Sellers immediately prior to the consummation of the Proposed Transfer (including any shares that all Participating Sellers have collectively agreed to purchase pursuant to the Secondary Refusal Right), plus the number of Transfer Shares held by the selling Investor, Key Holder or Shareholder. To the extent one or more of the Participating Sellers exercise such right of participation in accordance with the terms and conditions set forth herein, the number of Transfer Shares that the Transferring Shareholder may sell in the Proposed Transfer shall be correspondingly reduced.

(c) Purchase and Sale Agreement. The Participating Sellers and the Transferring Shareholder agree that the terms and conditions of any Proposed Transfer in accordance with Subsection 2.2 will be memorialized in, and governed by, a written purchase and sale agreement with the Prospective Transferee (the **"Purchase and Sale Agreement"**) with customary terms and provisions for such a transaction, and the Participating Sellers and the Transferring Shareholder further covenant and agree to enter into such Purchase and Sale Agreement as a condition precedent to any sale or other transfer in accordance with this Subsection 2.2.

(d) Allocation of Consideration.

(i) Subject to Subsection 2.2(d)(ii), the aggregate consideration payable to the Participating Sellers and the Transferring Shareholder shall be allocated based on the number of Capital Shares sold to the Prospective Transferee by each Participating Seller and the Transferring Shareholder as provided in Subsection 2.2(b); provided that if a Participating Seller wishes to sell Preferred Shares, the price set forth in the Proposed Transfer Notice shall be appropriately adjusted based on the conversion ratio of the Preferred Shares into Common Shares.

(ii) In the event that the Proposed Transfer constitutes a Change of Control, the terms of the Purchase and Sale Agreement shall provide that the aggregate consideration from such transfer shall be allocated to the Participating Sellers and the Transferring Shareholder in accordance with the Amended Articles as if (A) such transfer were a Deemed Liquidation Event (as defined in the Amended Articles) and (B) the Capital Shares sold

in accordance with the Purchase and Sale Agreement were the only Capital Shares outstanding. In the event that a portion of the aggregate consideration payable to the Participating Seller(s) and Transferring Shareholder is placed into escrow, the Purchase and Sale Agreement shall provide that (x) the portion of such consideration that is not placed in escrow (the **"Initial Consideration"**) shall be allocated in accordance with the Amended Articles as if the Initial Consideration were the only consideration payable in connection with such transfer and (y) any additional consideration which becomes payable to the Participating Seller(s) and Transferring Shareholder upon release from escrow shall be allocated in accordance with the Amended Articles after taking into account the previous payment of the Initial Consideration as part of the same transfer.

(e) Purchase by Transferring Shareholder; Deliveries. Notwithstanding Subsection 2.2(c) above, if any Prospective Transferee refuses to purchase securities subject to the Right of Co-Sale from any Participating Seller or upon the failure to negotiate in good faith a Purchase and Sale Agreement reasonably satisfactory to the Participating Sellers, no Transferring Shareholder may sell any Transfer Shares to such Prospective Transferee unless and until, simultaneously with such sale, such Transferring Shareholder purchases all securities subject to the Right of Co-Sale from such Participating Seller on the same terms and conditions (including the proposed purchase price) as set forth in the Proposed Transfer Notice and as provided in Subsection 2.2(d)(i); provided, however, if such sale constitutes a Change of Control, the portion of the aggregate consideration paid by the Transferring Shareholder to such Participating Seller shall be made in accordance with the first sentence of Subsection 2.2(d)(ii). In connection with such purchase by the Transferring Shareholder, such Participating Seller shall deliver to the Transferring Shareholder a share certificate or certificates, properly endorsed for transfer, representing the Capital Shares being purchased by the Transferring Shareholder. Each such share certificate delivered to the Transferring Shareholder will be transferred to the Prospective Transferee

against payment therefor in consummation of the sale of the Transfer Shares pursuant to the terms and conditions specified in the Proposed Transfer Notice, and the Transferring Shareholder shall concurrently therewith remit or direct payment to each such Participating Seller the portion of the aggregate consideration to which each such Participating Seller is entitled by reason of its participation in such sale as provided in this Subsection 2.2(e).

(f) Additional Compliance. If any Proposed Transfer is not consummated within forty-five (45) days after receipt of the Proposed Transfer Notice by the Company, the Transferring Shareholders proposing the Proposed Transfer may not sell any Transfer Shares unless they first comply in full with each provision of this Section 2. The exercise or election not to exercise any right by any Investor or Key Holder hereunder shall not adversely affect its right to participate in any other sales of Transfer Shares subject to this Subsection 2.2.

2.3. Effect of Failure to Comply.

(a) Transfer Void; Equitable Relief. Any Proposed Transfer not made in compliance with the requirements of this Agreement shall be null and void *ab initio*, shall not be recorded on the books of the Company or its transfer agent and shall not be recognized by the Company. Each party hereto acknowledges and agrees that any breach of this Agreement would result in substantial harm to the other parties hereto for which monetary damages alone could not

adequately compensate. Therefore, the parties hereto unconditionally and irrevocably agree that any non-breaching party hereto shall be entitled to seek protective orders, injunctive relief and other remedies available at law or in equity (including, without limitation, seeking specific performance or the rescission of purchases, sales and other transfers of Transfer Shares not made in strict compliance with this Agreement).

(b) Violation of First Refusal Right. If any Shareholder becomes obligated to sell any Transfer Shares to the Company, any Investor or any Key Holder under this Agreement and fails to deliver such Transfer Shares in accordance with the terms of this Agreement, the Company and/or such Investor or Key Holder may, at its option, in addition to all other remedies it may have, send to such Shareholder the purchase price for such Transfer Shares as is herein specified and transfer to the name of the Company or such Investor or Key Holder (or request that the Company effect such transfer in the name of an Investor or Key Holder) on the Company's books the certificate or certificates representing the Transfer Shares to be sold.

(c) Violation of Co-Sale Right. If any Transferring Shareholder purports to sell any Transfer Shares in contravention of the Right of Co-Sale (a "**Prohibited Transfer**"), each Investor and Key Holder who desires to exercise its Right of Co-Sale under Subsection 2.2 may, in addition to such remedies as may be available by law, in equity or hereunder, require such Transferring Shareholder to purchase from each such Investor and other Key Holder the type and number of Transfer Shares that such Investor or Key Holder would have been entitled to sell to the Prospective Transferee had the Prohibited Transfer been effected in compliance with the terms of Subsection 2.2. The sale will be made on the same terms, including, without limitation, as provided in Subsection 2.2(d)(i) and the first sentence of Subsection 2.2(d)(ii), as applicable, and subject to the same conditions as would have applied had the Transferring Shareholder not made the Prohibited Transfer, except that the sale (including, without limitation, the delivery of the purchase price) must be made within ninety (90) days after the Investors and Key Holders learn of the Prohibited Transfer, as opposed to the timeframe proscribed in Subsection 2.2. Such Transferring Shareholder shall also reimburse each Investor and Key Holder for any and all reasonable and documented out-of-pocket fees and expenses, including reasonable legal fees and expenses, incurred pursuant to the exercise or the attempted exercise of such Investor or Key Holder's rights under Subsection 2.2.

3. Exempt Transfers.

3.1. Exempted Transfers. Notwithstanding the foregoing or anything to the contrary herein, other than Subsections 3.2 and 3.3, the provisions of Subsections 2.1 and 2.2 shall not apply: (a) to a transfer of Capital Shares by a Shareholder that is an entity, upon a transfer to an Affiliate of such Shareholder, (b) to a repurchase of Transfer Shares from a Shareholder by the Company at a price no greater than that originally paid by such Shareholder for such Transfer Shares and pursuant to an agreement containing vesting and/or repurchase provisions approved by a majority of the Board of Directors, or (c) upon a transfer of Transfer Shares by such Shareholder made for bona fide estate planning purposes, either during his or her lifetime or on death by will or intestacy to his or her spouse, child (natural or adopted), or any other direct lineal descendant of such Shareholder (or his or her spouse) (all of the foregoing collectively referred to as "**family members**"), or any other relative approved by unanimous

consent of the Board of Directors of the Company, or any custodian or trustee of any trust, partnership or limited liability company for the benefit of, or the ownership interests of which are owned wholly by, such Shareholder or any such family members; provided that in the case of clause(s) (a) or (c), the Shareholder shall deliver prior written notice to the Investors and Key Holders of such pledge, gift or transfer and such Transfer Shares shall at all times remain subject to the terms and restrictions set forth in this Agreement and such transferee shall, as a condition to such issuance, deliver a counterpart signature page to this Agreement as confirmation that such transferee shall be bound by all the terms and conditions of this Agreement as an Investor, Key Holder or Common Shareholder, as applicable (but only with respect to the securities so transferred to the transferee), including the obligations of an Investor, Key Holder or Common Shareholder with respect to Proposed Transfers of such Transfer Shares pursuant to Section 2; and provided, further, in the case of any transfer pursuant to clause (a) or (c) above, that such transfer is made pursuant to a transaction in which there is no consideration actually paid for such transfer.

3.2. Exempted Offerings. Notwithstanding the foregoing or anything to the contrary herein, other than Subsection 3.3, the provisions of Section 2 shall not apply to the sale of any Transfer Shares (a) pursuant to a Qualified IPO (as defined in the Amended Articles) or (b) pursuant to a Deemed Liquidation Event (as defined in the Amended Articles).

3.3. Prohibited Transferees. Notwithstanding the foregoing, except in connection with a Deemed Liquidation Event, no Shareholder shall transfer any Transfer Shares to (a) any entity which, in the determination of the Company's Board of Directors, directly or indirectly competes with the Company or (b) any customer, distributor or supplier of the Company, if the Company's Board of Directors should determine that such transfer would result in such customer, distributor or supplier receiving information that would place the Company at a competitive disadvantage with respect to such customer, distributor or supplier.

4. Legend. Each certificate representing Capital Shares held by the Shareholders or issued to any permitted transferee in connection with a transfer permitted by Subsection 3.1 hereof shall be endorsed with the following legend:

THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO, AND IN CERTAIN CASES PROHIBITED BY, THE TERMS AND CONDITIONS OF A CERTAIN RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT BY AND AMONG THE SHAREHOLDER, THE CORPORATION AND CERTAIN OTHER HOLDERS OF SHARES OF THE

Each Shareholder agrees that the Company may instruct its transfer agent to impose transfer restrictions on the shares represented by certificates bearing the legend referred to in this Section 4 above to enforce the provisions of this Agreement, and the Company agrees to promptly do so. The legend shall be removed upon termination of this Agreement at the request of the holder.

5. Lock-Up.

5.1. Agreement to Lock-Up. Each Shareholder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the Company's initial public offering (the "**IPO**") and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred eighty (180) days), (a) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Capital Shares held immediately prior to the effectiveness of the registration statement or final prospectus for the IPO or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Capital Shares, whether any such transaction described in clause (a) or (b) above is to be settled by delivery of Capital Shares or other securities, in cash or otherwise. The foregoing provisions of this Section 5 shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement. The underwriters in connection with the IPO are intended third-party beneficiaries of this Section 5 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Each Shareholder further agrees to execute such agreements as may be reasonably requested by the underwriters in the IPO that are consistent with this Section 5 or that are necessary to give further effect thereto.

5.2. Stop Transfer Instructions. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Capital Shares of each Shareholder (and transferees and assignees thereof) until the end of such restricted period.

6. Miscellaneous.

6.1. Term. This Agreement shall automatically terminate upon the earlier of (a) immediately prior to the consummation of a Qualified IPO (as defined in the Amended Articles) and (b) the consummation of a Deemed Liquidation Event (as defined in the Amended Articles).

6.2. Share Split. All references to numbers of shares in this Agreement shall be appropriately adjusted to reflect any share dividend, share split, combination or other recapitalization affecting the Capital Shares occurring after the date of this Agreement.

6.3. Ownership. Each Shareholder represents and warrants that such Shareholder is the sole legal and beneficial owner of the Capital Shares subject to this Agreement and that no other person or entity has any interest in such shares (other than a community property interest as to which the holder thereof has acknowledged and agreed in writing to the restrictions and obligations hereunder).

6.4. Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or: (a) personal delivery to the party to be notified, (b) when sent, if sent by electronic mail or facsimile during normal business hours of the recipient, and if not sent during normal business hours, then on the recipient's next business day, (c) five (5) days after having

been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) business day after deposit with a nationally recognized overnight courier, freight prepaid, specifying next business day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their address as set forth on Schedule A, Schedule B or Schedule C hereof, as the case may be, or to such email address, facsimile number or address as subsequently modified by written notice given in accordance with this Section 6.4. If notice is given to the Company, it shall be sent to DAVIDsTEA Inc., 5775 Ferrier, Mount Royal, Quebec, Canada, H4P 1N3, Attention: Chief Executive Officer; and a copy (which shall not constitute notice) shall also be sent to Stikeman Elliott LLP, 1155 Rene-Levesque Boulevard West, 40th Floor, Montreal, QC, Canada H3B 3V2, Attention: Sidney M. Horn; if notice is given to the Investors, a copy shall also be given to Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, MA 02109, Attention: Mark G. Borden and Miller Thompson LLP, 1000 de la Gauchetiere West, Suite 3700, Montreal, QC, Canada H3B 4W5, Attention: Andrew Cohen.

6.5. Entire Agreement. This Agreement (including the Exhibits and Schedules hereto), together with the Amended Articles and the other Transaction Agreements (as defined in the Subscription and Purchase Agreement), as amended and restated from time to time, constitutes the full and entire understanding and agreement between the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties are expressly canceled. In the event of a conflict between this Agreement and any other agreement that may have been entered into by a Shareholder with the Company prior to the date hereof that contains a right of co-sale or "tag along" right, the Company and each Shareholder acknowledge and agree that the terms of this Agreement shall control.

6.6. Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

6.7. Amendment; Waiver and Termination. This Agreement may be amended, modified or terminated (other than pursuant to Section 6.1 above) and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument executed by (a) the Company, (b) the holders of a majority of the Capital Shares then held by all Key Holders and Common Holders (voting together as a single class on an as-converted basis), and (c) the holders of a majority of the Common Shares issued or issuable upon conversion of the then outstanding Series A Preferred Shares and Series A-1 Preferred Shares held by the Investors (voting as a single class and on an as-converted basis). Any amendment, modification, termination or waiver so effected shall be

binding upon the Company and the Shareholders and all of their respective successors and permitted assigns whether or not such party, assignee or other shareholder entered into or approved such amendment, modification, termination or waiver. Notwithstanding the foregoing, this Agreement may not be amended, modified or terminated and the observance of any term hereunder may not be waived with respect to any Investor, Key Holder or Common Shareholder without the written consent of such Investor, Key Holder or Common Shareholder unless such amendment, modification, termination or waiver applies to all Investors, Key Holders or Common Shareholders, respectively, in the same fashion. The Company shall give prompt written notice of any amendment, modification or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, modification, termination or waiver. No waivers of or exceptions to any term, condition or provision of this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

6.8. Assignment of Rights.

(a) The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

(b) Any successor or permitted assignee of any Shareholder, including any Prospective Transferee who purchases Transfer Shares in accordance with the terms hereof, shall deliver to the Company, the Investors and the Key Holders, as a condition to any transfer or assignment, a counterpart signature page hereto pursuant to which such successor or permitted assignee shall confirm their agreement to be subject to and bound by all of the provisions set forth in this Agreement that were applicable to the predecessor or assignor of such successor or permitted assignee.

(c) The rights of the Investors and Key Holders hereunder are not assignable without the Company's written consent (which shall not be unreasonably withheld, delayed or conditioned), except (i) by an Investor or Key Holder to any Affiliate or (ii) to an assignee or transferee who acquires at least one hundred thousand (100,000) Capital Shares (as adjusted for any share combination, share split, share dividend, recapitalization or other similar transaction), it being acknowledged and agreed that any such assignment, including an assignment contemplated by the preceding clauses (i) or (ii) shall be subject to and conditioned upon any such assignee's delivery to the Company, the Investors and the Key Holders of a counterpart signature page hereto pursuant to which such assignee shall confirm their agreement to be subject to and bound by all of the provisions set forth in this Agreement that were applicable to the assignor of such assignee.

(d) Except in connection with an assignment by the Company by operation of law to the acquirer of the Company, the rights and obligations of the Company hereunder may not be assigned under any circumstances.

6.9. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

6.10. Governing Law. This Agreement shall be governed by the laws of the Province of Quebec and the federal laws of Canada applicable therein.

6.11. Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

6.12. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

6.13. Specific Performance. In addition to any and all other remedies that may be available at law in the event of any breach of this Agreement, each Investor and Key Holder shall be entitled to specific performance of the agreements and obligations of the Company and the Shareholders hereunder and to such other injunction or other equitable relief as may be granted by a court of competent jurisdiction.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Right of First Refusal and Co-Sale Agreement as of the date first written above.

COMPANY:

DAVIDsTEA Inc.

By: /s/ Jevin Eagle

Name: Jevin Eagle

Title: CEO

Address:

SIGNATURE PAGE TO AMENDED AND RESTATED RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT

INVESTORS:

Highland Consumer Fund I Limited Partnership

By: Highland Consumer GP Limited Partnership

By: Highland Consumer GP GP LLC,
its General Partner

By: /s/ Authorized Person
Authorized Manager

Highland Consumer Fund I-B Limited Partnership

By: Highland Consumer GP Limited Partnership

By: Highland Consumer GP GP LLC,
its General Partner

By: /s/ Authorized Person
Authorized Manager

Highland Consumer Entrepreneurs Fund I Limited Partnership

By: Highland Consumer GP Limited Partnership

By: Highland Consumer GP GP LLC,
its General Partner

By: /s/ Authorized Person
Authorized Manager

SIGNATURE PAGE TO AMENDED AND RESTATED RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT

INVESTORS:

Whil Concepts Ltd.

By: /s/ Dennis J. Wilson
Name: Dennis J. Wilson
Title: Director

SIGNATURE PAGE TO AMENDED AND RESTATED RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT

INVESTORS:

Rainy Day Investments Ltd.

By: /s/ Herschel Segal
Name: Herschel Segal

SIGNATURE PAGE TO AMENDED AND RESTATED RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT

KEY HOLDERS:

Rainy Day Investments Ltd.

By: /s/ Herschel Segal
Name: Herschel Segal

By: /s/ David Segal
Name: David Segal

Capital GVR Inc.

By: /s/ Pierre Michaud

Name: Pierre Michaud

SIGNATURE PAGE TO AMENDED AND RESTATED RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT

COMMON HOLDERS:

Javier San Juan

By: /s/ Javier San Juan

Name:

SIGNATURE PAGE TO AMENDED AND RESTATED RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT

SHAREHOLDERS:

[Additional Shareholders]

By: _____

Name:

SIGNATURE PAGE TO AMENDED AND RESTATED RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT

SCHEDULE A

INVESTORS

Name and Address

Highland Consumer Fund I Limited Partnership

c/o Highland Capital Partners, LLC
One Broadway, 16th Floor
Cambridge, MA 02142
Attention: General Counsel
Facsimile: 781-861-5499

Highland Consumer Fund I-B Limited Partnership

c/o Highland Capital Partners, LLC
One Broadway, 16th Floor
Cambridge, MA 02142
Attention: General Counsel
Facsimile: 781-861-5499

Highland Consumer Entrepreneurs Fund I Limited Partnership

c/o Highland Capital Partners, LLC
One Broadway, 16th Floor
Cambridge, MA 02142
Attention: General Counsel
Facsimile: 781-861-5499

0936441 B.C. Ltd

#2-2108 West 4th Avenue
Vancouver, B.C.
Canada V6K 1N6
Telephone: (604) 737-7232
Facsimile: (604) 737-7267

Rainy Day Investments Ltd.

SCHEDULE B

KEY HOLDERS

Name and Address

Rainy Day Investments Ltd.

David Segal

Capital GVR Inc.

3434 Peel Street

Montreal QC, H3A 3K8

SCHEDULE C

COMMON SHAREHOLDERS

Name and Address

Javier San Juan

AGREEMENT OF LEASE entered into at the City of Montreal, Province of Quebec, this 22nd day of July, 2013.

BETWEEN: **S. ROSSY INVESTMENTS INC.** a corporation duly incorporated according to law, having offices at 5690 Royalmount Avenue, Town of Mount Royal, Quebec (H4P 1K4), herein acting and represented by Mr. Larry Rossy, its President, duly authorized as he so declares,

(hereinafter called the “**Landlord**”);

AND: **DAVIDsTEA INC.**, a corporation duly incorporated according to law, having its head office at _____, Quebec (_____), herein acting and represented by _____, _____, duly authorized as he so declares,,

(hereinafter called the “**Tenant**”);

ARTICLE 1 BASIC TERMS, SCHEDULES, DEFINITIONS

1.1 BASIC TERMS

1.1.1	<u>Landlord:</u>	
	(a) Landlord Name	S. ROSSY INVESTMENTS INC.
	(b) Landlord Address:	5690 Royalmount Avenue Mont-Royal, Quebec H4P 1K4
1.1.2	<u>Tenant:</u>	
	(a) Tenant Name:	DAVIDsTEA Inc.
	(b) Tenant Address:	4915 Rue Pare, Montréal, Quebec H4P 2B2
1.1.3	<u>Address of Premises:</u>	5430 Ferrier Street, Montreal, Quebec
1.1.4	<u>Floor Area:</u>	Approximately, 22,000 square feet shown outlined in purple on the Plan attached hereto as Schedule “B”
1.1.5	<u>Term:</u>	
	(a) Initial Term:	Commencing July 29 th , 2013 and
	(b) Commencement Date of the Term:	expiring on October 31 st , 2018 July 29 th , 2013
	(c) Rent Commencement Date:	November 1 st , 2013
1.1.6	<u>Basic Rent:</u>	
	<u>Period</u>	<u>Basic Rent Per Year</u>
	November 1, 2013 to October 31, 2016:	\$8.50 per square feet/ Floor Area/annum
	From November 1, 2016 to and including October 31. 2018:	\$8.75 per square feet/Floor Area/ annum
1.1.7	<u>Free Rent Period:</u>	July 29 th , 2013 to October 31 st , 2013. Lessee shall only be responsible for its consumption of utilities during the Free Rent period.
1.1.8	<u>Use of Premises:</u>	As per Section 10.2.
1.1.9	<u>Delivery Date:</u>	July 29 th , 2013

The foregoing Basic Terms are agreed to by the parties and each reference in this Lease to any of the Basic Terms will be construed to include the foregoing provisions and all of the additional applicable Sections of this Lease where such Basic Terms are more fully set forth.

1.2 SCHEDULES

The following schedules to this Lease are deemed incorporated in and part of this Lease:

Schedule “A”: **DESCRIPTION OF THE BUILDING**

Schedule “B”: **FLOOR PLAN**

Schedule “C”: **DEFINITIONS**

Schedule “D”: **RULES AND REGULATIONS**

Schedule “E”: **DESCRIPTION OF LANDLORD’S WORK AND TENANT’S WORK**

1.3 **DEFINITIONS**

Unless otherwise defined in this Lease, the words, phrases and expressions set out in Schedule “C” will have attributed to them the meanings set out in Schedule “C”.

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**ARTICLE 2
GRANT OF LEASE**

2.1 **LEASE**

The Landlord hereby leases to the Tenant, hereby accepting, for the Term and upon and subject to the terms and conditions in this Lease, the Premises, located in the Building described in Schedule “A” attached hereto.

**ARTICLE 3
TERM, COMMENCEMENT**

3.1 **TERM**

The Initial Term of this Lease will be for the period set out in Paragraph 1.1.5(a), beginning on the Commencement Date of the Term.

3.2 **LANDLORD’S WORK, PLAN APPROVALS AND TENANT’S WORK**

The Landlord will have no work to perform other than that which may be set out in Schedule “E”. The Premises shall be taken by the Tenant on the Commencement Date “as is, where is”, the Tenant having seen them and being satisfied therewith, the whole subject to Section 10.11 of this Lease. All the work or improvement to be performed in or to the Premises, including all work required for the proper operation of Tenant’s use of the Premises, including without limitation, all interior finishes, floor and wall coverings, partitions, trade fixtures, equipment, etc. constitute the Tenant’s Work and shall be at the sole expense of the Tenant. Furthermore, the Tenant shall, at its sole cost, complete, fixture and prepare the Premises for the opening for business.

3.3 **OPTION TO RENEW**

The Landlord covenants with the Tenant that provided the Tenant and has not been in chronic material default throughout the Term and the Tenant is not then in default under the terms of the Lease, the Landlord, at the expiration of the Initial Term, and upon the Tenant’s written request, mailed by registered post, return receipt requested, to, or delivered to, the Landlord and received by the Landlord at least six (6) months prior to the expiration of the Initial Term shall grant to the Tenant an extension of the Initial Term on an “as is” basis for a further term of five (5) years (the “First Extended Term”) subject to the same terms and conditions as those contained in this Lease, except as to a further right to extend the term and except as to Basic Rent, which Basic Rent shall be as follows: (i) for the first three years of the First Extended Term at \$9.25 per square feet/Floor Area annum; and (ii) for the last two years of the First Extended Term at \$9.50 per square feet/Floor Area annum.

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**ARTICLE 4
RENT**

4.1 **BASIC RENT**

The Tenant will pay to the Landlord in and for each Year, Basic Rent in the yearly amounts set out in Subsection 1.1.6, by equal and consecutive monthly instalments in advance on the first day of each month, commencing on the Rent Commencement Date. For greater certainty, no Basic Rent or Additional Rent shall be payable during the Free Rent Period.

4.2 **INTENTIONALLY DELETED**

4.3 **PAYMENT OF BASIC RENT**

The first monthly instalment of Basic Rent, or the appropriate portion calculated in accordance with Section 4.4, will be calculated as of the Rent Commencement Date and paid on the Rent Commencement Date of the Term, and subsequent instalments of Basic Rent will be paid in advance on the first day of every succeeding month during the Term.

4.4 **PRO RATA ADJUSTMENT OF RENT**

Except as otherwise provided herein, all Rent will accrue from day to day, and if for any reason it will become necessary to calculate Rent for irregular periods of less than one year or one month, an appropriate pro rata adjustment will be made on a daily basis in order to compute the rent for such irregular period.

4.5 **GENERAL PROVISIONS CONCERNING PAYMENT OF RENT GENERALLY**

Except as otherwise provided herein, all payments by the Tenant to the Landlord under this Lease will be:

- 4.5.1 paid by the Tenant in lawful currency of Canada to the Landlord or such other person or legal entity as the Landlord may from time to time designate;
- 4.5.2 paid when due hereunder, without prior demand therefor, at the address of the Landlord set out on page one or such other place as the Landlord may designate from time to time to the Tenant and if not paid when due, will bear interest at the Interest Rate from the due date until payment in full with overdue interest payable at the same rate;
- 4.5.3 applied towards amounts then outstanding hereunder, in such manner as the Landlord directs;
- 4.5.4 payable without compensation, reduction, set-off, abatement, diminution or deduction subject to the terms and conditions provided herein;

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- 4.5.5 subject to all applicable taxes.

4.6 **SALES TAXES**

If any business transfer tax, value added tax, multi-stage sales tax, or any like tax is in force or is imposed on the Landlord by any governmental authority on any rent, whether Basic Rent or Additional rent, payable by the Tenant under this Lease, the Tenant shall reimburse the Landlord for the amount of such tax forthwith upon demand, or at any time designated from time to time by the Landlord, as Additional Rent.

ARTICLE 5 ADDITIONAL RENT

5.1 **INTENT**

The Tenant will pay for its own account all costs, expenses, rates, taxes, disbursements and charges of any nature in any way relating to the Premises, its content and the business of the Tenant, except if otherwise expressly provided in this Lease and, subject to the terms hereof, the Landlord will not be responsible for any costs, fee, expense, disbursement or charges in respect of the Premises and/or the business to be operated from the Premises. The Tenant shall pay its Proportionate Share of the increases in Operating Costs and Taxes as compared to the Base Year.

5.2 **INTENTIONALLY DELETED**

5.3 **ADDITIONAL RENT**

The Tenant will pay to the Landlord as Additional Rent, without duplication:

- 5.3.1 Tenant's Proportionate Share of the increase, if any, in Property Taxes calculated in accordance with Article 6;
- 5.3.2 Tenant's Proportionate Share of the increase, if any, in Operating Costs calculated in accordance with Article 7; and
- 5.3.3 such other sums, amounts, costs, charges, or increases therein as are required to be paid by the Tenant to the Landlord pursuant to this Lease in addition to Basic Rent.

5.4 **ESTIMATE OF ADDITIONAL RENT**

The Landlord may, in respect of Additional Rent, compute bona fide reasonable estimates of the amounts anticipated to accrue in the next following Lease Year, Year, calendar year or fiscal year, or portion thereof, as the Landlord may determine is the most appropriate period for calculation of Additional Rent. The Landlord will provide the Tenant with written notice of the amount of any such estimate, as well as of the Tenant's estimated share, prior or as soon as reasonably practical after the commencement of such

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Lease Year, Year, calendar year or fiscal year, or portion thereof, as the case may be. Any such estimate may be re-estimated from time to time, if need be.

5.5 **PAYMENT OF ADDITIONAL RENT**

With respect to any Additional Rent which the Landlord elects to estimate from time to time pursuant to Section 5.4, after receipt of the written notice of the estimated amount of the Tenant's share thereof, the Tenant will pay to the Landlord such estimated share, in equal consecutive monthly instalments with the monthly instalments of Basic Rent when due, pursuant to Section 4.3. With respect to any Additional Rent which the Landlord has not elected to estimate from time to time pursuant to Section 5.4, the Tenant will pay to the Landlord the amount of the Tenant's share of such Additional Rent, determined pursuant to this Lease, within thirty (30) days after receipt of an invoice therefor.

5.6 **RECONCILIATION OF ADDITIONAL RENT**

Within one hundred and twenty (120) days after the end of each Lease Year, Year, calendar year or fiscal year, or portion thereof, as the case may be, for which the Landlord has estimated Additional Rent pursuant to Section 5.4, the Landlord will compute the actual amount of such Additional Rent, as well as the Tenant's proper share thereof pursuant to the applicable provisions of this Lease, and provide to the Tenant a detailed statement of such Additional Rent and the Tenant's share for such period or portion thereof. If the Tenant's proper share of the actual Additional Rent, as set out in any such statement,

is greater or less than the total instalments paid pursuant to Section 5.5 in respect of such earlier estimated Additional Rent, the Tenant will pay to the Landlord or the Landlord will pay to the Tenant, as the case may be, the excess within fifteen (15) days of the receipt of any such statement. Landlord will upon Tenant's reasonable requests provide reasonable explanations and justifications relating to the Additional Rent and Landlord's calculation thereof.

The Landlord shall make available to the Tenant all substantiating documentation necessary to verify the above mentioned statement setting out the actual Additional Rent.

In the event of disagreement as to the Additional Rent, the matter will be submitted to and resolved by arbitration in accordance with the Code of Civil Procedure of Quebec. In the event that arbitration is required, the parties shall each appoint a qualified chartered accountant experienced in the determination of additional rent pursuant to semi-gross leases (Base plus escalation on Taxes and Operating Costs) for premises situated in Quebec, similar to the Premises. A third arbitrator shall be appointed by both arbitrators appointed by the parties and must also be qualified in accordance with the abovementioned criteria. Pending agreement, Tenant shall continue to pay the Additional Rent for the immediately preceding Lease Year and upon agreement or determination by arbitration, the Tenant shall commence to pay the new Additional Rent retroactive to the beginning of the Lease Year or period in question and any underpayments will be adjusted retroactive to commencement of that Lease Year or period in question the whole as provided above. Any expenses of arbitration shall be borne equally by Landlord and Tenant.

5.7 PRO RATA ADJUSTMENT OF ADDITIONAL RENT

If this Lease commences, expires or is terminated before the end of the period for which any item of Additional Rent would otherwise be payable, the amount payable by the Tenant will be apportioned and adjusted in accordance with Section 4.4.

5.8 REVIEW OF ADDITIONAL RENT

Save and except in the case of any fraudulent act on the part of a party hereto or of those for whom such party is in law responsible for, no party may claim a re-adjustment in respect of any Additional Rent whether paid or payable in instalments or otherwise, if based on any error of estimation, allocation, calculation or computation, unless claimed in writing within twelve (12) months after the end of the twelve (12) month period during which such Additional Rent accrued.

ARTICLE 6 TAXES

6.1 TENANT'S TAXES

The Tenant will pay promptly when due all taxes, rates, duties and fees assessed or levied by any competent authority in relation to any business or other activity carried on within or in connection with the Premises. Should the mode of collection of any such amounts be modified to make the Landlord liable therefor, the Tenant shall reimburse the Landlord as additional rent, the amount attributable to the Tenant and/or the Premises.

6.2 BUILDING TAXES

During the Term or holding over period at the expiration of the Term, the Tenant shall pay to the Landlord its Proportionate Share of the increase, if any, in Property Taxes pertaining to the Building over the Base Year Property Taxes. The Landlord will pay and provide the Tenant annually with evidence of payment, including a copy of the appropriate invoice for Property Taxes affecting the Building upon request.

For the first twelve months of the Initial Term as of the Commencement Date (the "Base Year"), the Tenant will pay not pay or contribute to Property Taxes, it being understood that Tenant's Proportionate Share of Property Taxes for the Base Year, are included in the Basic Rent. Thereafter, as of the first anniversary of the Commencement Date and yearly thereafter on each anniversary of the Commencement Date, the Tenant shall pay, as Additional Rent, the Tenant's Proportionate Share of the increase, if any, in Tenant's Proportionate Share Property Taxes for each subsequent year of the Term over the Base Year Property Taxes.

6.3 FAILURE TO PAY TAXES

If the Tenant fails to comply with any payment required by the Tenant pursuant to Section 6.1, subject to rectification of such default within the period set out in Subsection

16.1.1, and without prejudice to the Landlord's other rights, the Landlord may pay all or part of such required payments pursuant to Section 16.2.

6.4 SURTAXES

The parties hereto acknowledge and agree that reimbursements, credits or reductions on account of real estate taxes on non-residential immovables or surtaxes for vacant premises or resulting from reductions of such taxes attributable to vacant space in the Building shall not be deducted or otherwise reduce the real estate taxes payable by the Tenant and an amount equivalent to the amount of any credits or reductions of such taxes for vacant premises or attributable to there being vacant space in the Building shall be included in the taxes to which Tenant contributes as if such credits or reductions had not been granted. It is the intention of the parties hereto that such reimbursements, credits and reductions shall be for the sole benefit of the Landlord.

ARTICLE 7 OPERATING COSTS

7.1 PAYMENT OF OPERATING COSTS

The Tenant will pay to the Landlord as Additional Rent the Tenant's Proportionate Share of the increase, if any, of Operating Costs over the Base Year Operating Costs, subject to and in accordance with Sections 5.3 to 5.8 inclusive.

Notwithstanding the aforesaid provisions with respect to Operating Costs, or anything in this Lease to the contrary, it is the intention of the parties hereto that the Tenant shall at its own direct cost, operate and see to the maintenance, repair and/or replacement of the Premises and any and all parts thereof, in a first class manner, as would a prudent owner save and except for Structural Repairs and replacements of a capital nature, and save and except for any repairs or replacement related to defects, to the Building, the Premises or the systems of the Building and/or the Premises regarding which the parties have agreed as follows. The Landlord shall solely be responsible during the Term to make and proceed in as would a prudent owner any required Structural Repairs other than any Structural Repairs necessary as a result of the acts, omissions, fault and/or negligence of the Tenant or those for whom the Tenant is responsible in law, or failure by Tenant to operate, maintain and repair as set out in this Lease, in which case the Structural Repairs shall be made by Landlord at Tenant's expense and the Tenant shall immediately upon demand, reimburse Landlord in full for the cost of such Structural Repairs plus an administration fee equal to fifteen percent (15%) of such costs. Regarding any replacements of a capital nature to the Building, the Premises or the systems of the Building and/or the Premises, the Landlord shall see to the replacements and the cost thereof shall be included in Operating Costs save as otherwise set forth herein. In the event that the Tenant does not perform any functions mentioned hereinabove in the above mentioned manner or in a manner acceptable to Landlord within the notice and cure periods provided in this Lease, the Landlord shall have the right but not the obligation, to perform such functions on notice to the Tenant and shall include the costs thereto its calculation of Operating Costs for recovery from the Tenant and the Tenant shall be

required to pay its increase in such Operating Costs as hereinbefore set out. Nothing herein contained shall place a positive obligation on the Landlord to assume the responsibility of performing any item contained within the Operating Costs and in no event shall the Landlord incur any liability to the Tenant or any third party in relation thereto.

For the first twelve months of the Initial Term as of the Commencement Date (the "Base Year"), the Tenant will pay not pay or contribute to Operating Costs, it being understood that Tenant's Proportionate Share of Operating Costs for the Base Year, are included in the Basic Rent. Thereafter, as of the first anniversary of the Commencement Date and yearly thereafter on each anniversary of the Commencement Date, the Tenant shall pay, as Additional Rent, the Tenant's Proportionate Share of the increase, if any, in Tenant's Proportionate Share Operating Costs for each subsequent year of the Term over the Base Year Operating Costs.

ARTICLE 8 UTILITIES, HVAC COSTS

8.1 TENANT'S UTILITIES

As of the date Tenant takes possession of the Premises, the Tenant will pay all rates, charges, costs and expenses assessed or levied by any supplier of utilities to the Premises. All expenses relating to the utilities will be assumed by the Tenant.

- 8.1.1 The Tenant will pay to the Landlord an amount (the "Charge") which is the total, without duplication, of: (i) the costs incurred by the Landlord for water, fuel, power, telephone and other utilities (the "Utilities") used in or for the Premises or allocated to them by the Landlord; and (ii) charges imposed in place of or in addition to Utilities as determined by the Landlord, acting reasonably. For greater certainty, the Charge shall not include any amounts which were invoiced directly to the Tenant by a service provider.
- 8.1.2 If the Landlord supplies Utilities: (i) the Tenant will pay the Landlord for them on demand, at reasonable rates; (ii) the Tenant will pay the Charge to the Landlord based on estimates of the Landlord but subject to adjustment within a reasonable time after the period for which the estimate has been made; and (iii) the Landlord is not liable for interruption or cessation of, or failure in the supply of Utilities, services or systems in, to or serving the Building or the Premises, whether they are supplied by the Landlord or others, save and except if same was caused or contributed to by the fault or negligence of the Landlord or those for whom it is responsible in law.
- 8.1.3 The Landlord will determine the Charge by allocating the Utilities for the Building among the Building's components. In doing so, the Landlord may use as a basis, any of the following without limitation: (i) the relevant rates of demand and consumption of Utilities in the components mentioned

above; (ii) check meters, if any,; and (iii) the connected loads. The Charge includes any Utilities consumed as a result of the installation of any re-heat coil or additional heating system in the Demised Premises.

8.2 COST OF HVAC OPERATION

- 8.2.1 The Tenant will maintain, operate and repair the heating, ventilation and air-conditioning system serving the Premises as would a prudent owner operating similar premises. The Tenant will pay all costs (including without limitation, energy costs) to operate, maintain, and repair any such system but replacement shall be at the sole expense of the Landlord, except to the extent any such replacement is necessitated as a result of the act or omission of the Tenant or those for whom it is in law responsible.
- 8.2.2 Promptly after the Commencement Date, the Tenant will also take out and maintain at its expense a full-service preventive maintenance contract throughout the Term with a reputable HVAC contractor acceptable to the Landlord and exhibit proof thereof to the Landlord upon request.

8.3 INTENTIONALLY DELETED

ARTICLE 9 INSURANCE

9.1 TENANT'S INSURANCE

- 9.1.1 The Tenant will take out and keep in full force and effect with reputable insurers that are licensed to do business in the Province of Quebec during the Term and such other time as the Tenant occupies the Premises or any part thereof:
- (a) comprehensive general liability with respect to the business carried on, in or from the Premises and its use and occupancy of the Premises including, without limitation, personal injury liability, contractual liability, non-owned automobile liability and employer's liability insurance, of not less than Five Million Dollars (\$5,000,000.00), or such higher limits as the Landlord may from time to time require acting reasonably, for each occurrence in respect of any injury to, death of, or loss suffered by one or more persons;
 - (b) plate glass insurance in an amount sufficient to replace all plate glass comprises in the Premises and in the doors and windows thereof;
 - (c) "all risk" property' insurance, including, without limitation, fire and theft, flood, earthquake, sewer back-up and for such other and further risks as the Landlord may require from time to time, on a replacement cost basis, of the Tenant's inventory and stock-in-trade, Tenant's Work as provided for in Schedule "E", furniture and fixtures, and all alterations, decorations,

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additions and improvements installed or brought by the Tenant to the Premises and all property owned by the Tenant or for which the Tenant is legally liable;

- (d) the Tenant's legal liability insurance with respect to the Premises in an amount equal to Five Million Dollars (\$5,000,000.00) or in such higher limits as the Landlord may require from time to time acting reasonably and in accordance with industry norms;
 - (e) broad form boiler and machinery insurance on a blanket repair and replacement basis of the property insured pursuant to Paragraph 9.1.1 (c) above;
 - (f) Intentionally Deleted
 - (g) any other type of insurance or any additional coverage that the Landlord or its Mortgagee may request from time to time, acting reasonably and in accordance with industry norms.
- 9.1.2 Each insurance policy required of the Tenant as aforesaid shall be on terms and conditions, and with such insurers as are reasonably available in the marketplace and will name the Landlord and any Mortgagee as an additional insured and loss payee, as their respective interests appear and will include the Mortgagee's standard mortgage clause, a waiver of rights of subrogation against the Landlord. If the Landlord is an insured under such policy, a cross-liability and severability of interest clause providing for coverage in respect of any claim brought by any insured against any other one or more insureds as if a separate policy has been issued to each insured, a provision that breach of the policy by any insured will not affect the policy protection of any other insured, and a provision that the insurer will not cancel or change or refuse to renew the insurance without first giving the Landlord at least ten (10) days' prior written notice shall be included in such policy, The Tenant shall have no interest in the Landlord's insurance.

Certificates of insurance shall be remitted to the Landlord in a reasonable amount of time after coverage comes into force. Before any such insurance policy comes into force, the Landlord shall be remitted confirmation of insurance from insurers. Provided the Tenant fails to cause its insurers to provide the Landlord with such coverage confirmation, the Landlord shall following two (2) business days prior written notice, have the right, but not the obligation, to take any such coverage in the name and at the cost of the Tenant.

9.2 LANDLORD'S INSURANCE

The Landlord will take out or cause to be taken out and keep or cause to be kept proper insurance coverage (with deductibles) that a prudent owner of a property similar to the

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Building would take from time to time. The Landlord's insurance shall contain a waiver of rights of subrogation against the Tenant.

9.3 INCREASES IN RATES

The Tenant will not do or omit or permit to be done or omitted upon the Premises anything out of the ordinary course of prudent business practices which will cause the insurance rates applicable to the Building or any part thereof to be materially increased or cause such insurance to be cancelled. If such insurance rates are increased as aforesaid, the Tenant will pay to the Landlord the amount of the increase as Additional Rent. If any insurance policy upon the Building or any part thereof is cancelled or threatened to be cancelled because of the use or occupancy by the Tenant or any act or omission as aforesaid, the Tenant will forthwith remedy or rectify such use, occupation, act or omission upon being requested to do so in writing by the Landlord should Tenant fail to rectify, within fifteen (15) days or such other shorter delay requested by Landlord's insurance or without notice in the case of an emergency, the Landlord shall have the right, but not the obligation, to enter the Premises, without any liability to the Tenant save for gross negligence of Landlord or those for whom it is responsible in law in so doing, and do what needs to be done to correct the situation, the whole subject to the Landlord's other rights and recourses.

9.4 INTENTIONALLY DELETED

ARTICLE 10 USE AND OCCUPATION

10.1 PEACEABLE ENJOYMENT

The Landlord covenants with the Tenant for peaceable enjoyment, as long as the Tenant is not in default hereunder, and except as otherwise provided herein.

10.2 PERMITTED USE

The Premises shall be used by the Tenant solely for the purpose of a retail business head office. The Tenant alone will be responsible for obtaining, from the appropriate municipal authority having jurisdiction, a business licence for the operation of its business on the Premises, the Landlord making no warranties whatsoever regarding permits and licenses which may be required by the Tenant. The Landlord represents that to its knowledge, it does not know of any limits or restrictions with respect to the permitted use of the Premises by the Tenant.

10.3 INTENTIONALLY DELETED

10.4 INTENTIONALLY DELETED

10.5 INTENTIONALLY DELETED

10.6 RULES AND REGULATIONS

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10.6.1 The Rules and Regulations attached as Schedule "D", as reasonably amended from time to time are part of this Lease and will form part of this Lease as if contained herein.

10.6.2 All rules and regulations now or hereafter in force will in all respects be observed and performed by the Tenant and its employees provided the Tenant has received a written copy of such rules and regulations before they become applicable and provided said rules and regulations are not inconsistent with the terms and conditions of the Lease.

10.6.3 The Landlord will enforce all Rules and Regulations against the Tenant in a non-discriminatory manner, unless one or more is/are solely applicable to the Tenant, due to some unique aspect of its tenancy.

10.7 INTENTIONALLY DELETED

10.8 INTENTIONALLY DELETED

10.9 SIGNS

10.9.1 The Tenant will have the right to install, maintain, change or remove signage on the front of the Premises, the whole in compliance with applicable laws and provided the Tenant has obtained all approvals required from the municipal authorities or any other competent authorities. Such installation, maintenance, change or removal shall be done by the Tenant in a first class manner as would a prudent owner at its sole cost and expense. Any such sign shall remain the property of the Tenant and shall be maintained by the Tenant at its sole cost and expense in accordance with the foregoing. At the expiration of the Term or earlier termination of this Lease, the Tenant shall remove any such sign from the Premises at the Tenant's expense and shall forthwith repair all damage caused by any such removal.

10.9.2 The Tenant shall be responsible for obtaining permits from the municipal authorities for all of its signage.

10.9.3 The Tenant may use the pylon signage presently used by AMERICAN APPAREL

10.10 GENERAL PROHIBITIONS

Without limiting the restrictive nature of Section 10.2 or any other provision of this Lease and without implying that the Tenant might otherwise be allowed to conduct said uses, the Tenant will not use or permit any part of the Premises to be used for or with respect to:

10.10.1 any bar, tavern, restaurant or adult entertainment establishment;

10.10.2 any veterinary hospital, mortuary or similar health service establishment;

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10.10.3 any car washing establishment;

10.10.4 any automobile body shop and fender repair workshop;

10.10.5 any skating rink, bowling alley, teenage discotheque, dance hall, amusement gallery, video game parlour, pool room, massage parlour, offtrack betting facility, casino, card club, bingo parlour or facility containing gaming equipment unless said equipment is operated to demonstrate products being sold in the store, it being understood that there will be no cost or charge to the customers to use the said equipment in the Premises;

10.10.6 health spas, health clubs, gymnasiums, exercise studios, dance studios, yoga or martial arts schools or similar facilities. Notwithstanding the foregoing, the Tenant may operate any such facility for its employees (ex: Yoga studio for employees);

10.10.7 any theatre, playhouse, cinema or movie theatre, it being understood that in-store demonstrations of products or services at no cost or charge to the customer will not breach this restriction;

10.10.8 any fire sale or the sale of second hand goods or of merchandise damaged by fire (except for merchandise damaged by a fire occurring within the Premises, provided such sale occurs within thirty (30) days after the occurrence of such fire), flea market, bankruptcy sale (unless pursuant to a court order) or auction operation;

10.10.9 any automobile, truck, trailer or recreation vehicles sales, leasing or display;

10.11 COMPLIANCE WITH LAWS

The Tenant will carry on its business from the Premises so as to comply with all statutes, by-laws, rules and regulations of any Federal, Provincial, Municipal or other competent authority and will not do anything upon the Premises in contravention thereof. The Landlord will perform any and all its obligations pursuant to this Lease in compliance with all statutes, by-laws, rules and regulations of any Federal, Provincial, Municipal or other competent authority and will not do anything upon the Building in contravention thereof.

10.12 NUISANCE

The Tenant will not do or allow to be done or omitted anything on the Premises that damages the Building or injures the business of the Landlord or which causes any nuisance in or about the Premises. In any of the foregoing events, the Tenant will forthwith remedy same and if it is not so remedied, the Landlord may, after thirty (30) days' notice to the Tenant correct such situation, without prejudice to the Landlord's other rights and recourses.

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10.13 ENTRY

In addition to other rights of entry the Landlord has under this Lease, the Landlord may, upon reasonable advance notice to the Tenant (of no less than 48 hours) and during normal business hours, enter the Premises to exhibit them to potential purchasers, present and future Mortgagees and, during the last nine (9) months of the Term to prospective tenants in a discrete manner.

10.14 PRESENCE, USE AND OWNERSHIP OF HAZARDOUS SUBSTANCES

The Tenant covenants and agrees that neither the Tenant nor its agents or employees (in the course of their agency or employment) will bring upon the Premises or any part thereof any Hazardous Substances. If at any time, the Tenant or its agents or employees (in the course of their agency or employment) brings any Hazardous Substances upon the Premises, the Building or a part thereof other than in compliance with all applicable laws, by-laws, building codes, fire regulations, ordinances, other regulations, statutes, guidelines, policies, rules and restrictions relating to the Building, including any environmental legislation applicable, the Tenant shall, at its expense:

- 10.14.1 immediately give the Landlord written notice to that effect and thereafter give the Landlord from time to time written notice of the extent and nature of the Tenant's compliance with the following provisions of this section:
- 10.14.2 promptly remove the Hazardous Substances from the Premises and the Building in a manner which conforms with all laws and regulations governing the movement of same unless the Landlord's permission in writing as to the conditions under which the Hazardous Substances may remain on the Building lands and the Premises is first obtained; and
- 10.14.3 if requested by the Landlord, obtain at the Tenant's cost and expense from an independent consultant designated or approved by the Landlord, verification of the complete and proper removal thereof from the Premises and the Building, or, if such is not the case, a report as to the extent and nature of any failure to comply with the foregoing provisions of this Section 10.14;
- 10.14.4 indemnify and save harmless the Landlord from all costs, fines, losses, damages and liabilities resulting from any act or omission of the Tenant in regard to any matter provided for in this Section 10.14.

If the Tenant shall bring or create upon the Premises and/or the Building any Hazardous Substances or if the conduct of the Tenant's business shall create any Hazardous Substance upon the Premises and/or the Building, notwithstanding any rule of the law to the contrary, such Hazardous Substance shall be and remain the sole and exclusive property of the Tenant and shall not become the property of the Landlord notwithstanding the degree of affixation of the Hazardous Substance or the goods containing the Hazardous Substance to the Premises and/or the Building and notwithstanding the expiry or earlier termination of this Lease.

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For greater certainty and notwithstanding any other provision herein, the Tenant shall not be responsible for any Hazardous Substance existing on or in the Premises or the Building prior to the Delivery Date, or following the Delivery Date if said Hazardous Substances are not brought on or in the Premises or caused by Tenant or those for whom the Tenant is responsible at law. Landlord warrants that, as at the date hereof, it is not aware of any Hazardous Substance being, located in, on or under the Building or the Premises, nor of any breach of environmental law, and shall indemnify Tenant from any and all damages and costs relating to Hazardous Substance or breach of environmental law with respect to Hazardous Substances existing in or on the Premises or Building prior to the Delivery Date and not which are not brought in or on the Premises or Building or caused by the Tenant and/or those for whom the Tenant is responsible at law.

ARTICLE 11 CLEANING, REPAIR

11.1 CLEANING

- 11.1.1 The Tenant will keep the Premises and, without limitation, the inside and outside of all glass, windows and doors of the Premises in a neat, clean and sanitary condition and will not allow any refuse, garbage or other loose or objectionable or waste material to accumulate in or about the Premises but rather will dispose of same in accordance with the Rules and Regulations.

- 11.1.2 The Tenant will, immediately before the completion of occupancy, wash the floors, windows, doors, walls and woodwork of the Premises and will not, upon such completion of occupancy, leave upon the Premises any refuse, garbage or waste material.
- 11.1.3 The Tenant will pay for its own janitor service, cleaning of debris, removal of garbage and such other costs as may be incurred in cleaning in accordance with this Section 11.1.

11.2 TENANT'S REPAIRS

- 11.2.1 The Tenant will keep the Premises in a first class manner. This obligation includes, but is not limited to, maintaining, repairing the Premises, (and to the extent caused by the act or omission of the Tenant or those for whom it is in law responsible, the costs of replacing the Building (interior and exterior portions of the Building) and/or the Premises), the wiring, the plumbing, the heating and ventilating servicing the Premises (except for replacements of a capital nature, which shall be made by Landlord, in accordance with this Lease), all mechanical, electrical and other systems and services servicing the Premises, including all repairs of major and minor nature and those which the law obliges a lessor to perform, except for Structural Repairs and capital repairs and repairs relating to defect which shall be made by the Landlord in accordance with this Lease, and

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reasonable wear and tear that does not result from the Tenant's default to maintain, repair or replace.

- 11.2.2 Without restricting the generality of Subsection 11.2.1, the Tenant's obligation to maintain, repair and replace will include any damage to or breakage of glass, plate glass, shop windows, mouldings, signs, doors hardware, lighting, wiring, plumbing, heating and ventilating servicing the Premises, all mechanical, electrical and other systems and services servicing the Premises unless otherwise specifically provided in this Lease.
- 11.2.3 The Tenant's repairs shall be performed in a first-class manner (the provisions of Section 12.1 to apply *mutatis mutandis*). Any major repairs which may affect the structure, mechanical or electrical system shall be subject to prior written approval by the Landlord of plans and specifications of the work.
- 11.2.4 The Tenant will not enter, nor will it cause, suffer or permit entry, onto the roof of the Premises or roof above other parts of the Building, and the Tenant will not make any opening in the roof or affect any structural elements without the prior written consent of fire Landlord. Notwithstanding the foregoing, the Tenant shall have the right to install, on the roof of the Premises, microwave communications equipment (the "communications equipment"). The communications equipment shall be installed at no cost to Landlord, and in accordance with the terms and conditions of this Lease, all applicable laws, rules and regulations. Additionally, Tenant shall defend, indemnify, and hold Landlord harmless from and against any damages, claims, costs or expenses of any nature whatsoever incurred by Landlord as a result of such installation by Tenant or presence of the communications equipment, including without limitation any damages to the roof as a result of the communications equipment and/or the installation, repair and/or removal of same. Tenant shall be solely responsible for the maintenance and repair thereof, at Tenant's sole cost and expense. At the expiration or other termination of the Lease, said equipment shall remain the property of Tenant, and may be removed by Tenant, provided that Tenant shall repair any and all damage caused by such removal.

11.3 VIEW REPAIRS

The Landlord may upon reasonable advance notice (of no less than 48 hours) enter the Premises accompanied by a representative of the Tenant at any reasonable time during business hours and without notice and at any time during any emergency to view the state of repair and the Tenant will repair according to notice in writing from the Landlord so to do, subject to the exceptions contained in this Article 11.

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11.4 LANDLORD MAY REPAIR

If the Tenant fails to repair or fails to proceed to diligently undertake repairs according to notice from the Landlord within thirty (30) days of receipt of such notice, the Landlord may, without prejudice to its other rights and recourses, make such repairs and the Tenant will pay as Additional Rent the Landlord's costs for making such repairs, within ten (10) days after presentation of an invoice therefor, plus an administration fee of fifteen percent (15%) of the cost, the whole without prejudice to the Landlord's other rights and recourses. In no event shall the Landlord, its contractors, subcontractors, agents, servants or employees be liable for any damage, contractual or extra-contractual, caused to the Premises or any contents thereof by reason of the foregoing entry, examination or work, nor shall the Tenant be entitled to demand or claim any diminution or abatement in Rent other than as a result of the gross fault or negligence of the Landlord or those for whom the Landlord is responsible in law.

11.5 REDEVELOPMENT AND OR DEMOLITION - INTENTIONALLY DELETED

ARTICLE 12 ALTERATIONS, FIXTURES

12.1 TENANT'S ALTERATIONS

- 12.1.1 Subject to Section 10.9, the Tenant will not make or cause to be made any structural, mechanical, or electrical alterations, improvements or additions to the Premises or any alterations or improvements to the exterior of the Premises without first obtaining the Landlord's written approval thereto such approval not to be unreasonably withheld or delayed. The Tenant will be permitted to make such other interior alterations, additions or improvements as it will require without the Landlord's approval.
- 12.1.2 When seeking the approval of the Landlord as required by this Section 12.1, the Tenant will present to the Landlord plans and specifications of the proposed work.

- 12.1.3 All work will be done in a good and workmanlike manner, of uniform first-class standards using new materials and first class quality labour and in compliance with all laws, by-laws, regulations, codes and ordinances applicable at the time and in conformity with the approved plans and specifications.
- 12.1.4 The Tenant will promptly pay all contractors, material suppliers and workmen so as to minimize the possibility of a legal hypothec attaching to the Premises and/or the Building with respect to work performed by or on behalf of the Tenant. Should any claim for legal hypothec be made or filed the Tenant will discharge same or provide security during a contestation in accordance with Section 15.2.
- 12.1.5 Notwithstanding any other provision of this Lease, the Premises may not be expanded in any manner.

12.2 REMOVAL OF PROPERTY

- 12.2.1 All installations, additions and improvements (other than movables, furnishings, business equipment and fixtures including lighting fixtures and lighting tracks) from time to time furnished and installed in the Premises by the Tenant at the Tenant's expense will become the Landlord's property upon incorporation without any compensation payable to the Tenant. The Tenant will, if requested by the Landlord, remove same (other than any walls which have been installed, which it shall not be required to remove), in whole or in part, at the end of the Term of this Lease or any renewal thereof, and that the Tenant will at its expense repair any damage to the Premises caused by such installation or removal. With regard to any property, which the Tenant is not asked to remove, any of such property which the Tenant elects not to remove from the Premises at the end of the Term or any renewal, will be deemed abandoned by the Tenant and will become the property of the Landlord without compensation payable to the Tenant.
- 12.2.2 Nothing in the foregoing provisions will release the Tenant from the obligation to repair any damage to the Premises caused by the fault or negligence of the Tenant, or those for whom it is responsible in law or caused by removal of the Tenant's property from the Premises, reasonable wear and tear excepted.

12.3 LANDLORD'S ALTERATIONS

The Landlord reserves the right, in order to comply with its obligations pursuant to this Lease, to:

- 12.3.1 enter the Premises for purposes of inspecting and effecting repairs or alterations, after having first provided Tenant with reasonable advance notice (subject to notice of not less than 48 hours, except in the event of an emergency);
- 12.3.2 make changes or additions to the equipment, appliances, pipes, conduits, ducts or structures in the Premises;
- 12.3.3 alter the location and nature of the areas, services and facilities servicing the Building;
- 12.3.4 make alterations to the buildings and facilities of the Building;
- 12.3.5 **INTENTIONALLY DELETED;**
- 12.3.6 **INTENTIONALLY DELETED;**
- 12.3.7 obstruct or close off all or any part of the Building.

Neither the construction, renovation or demolition by Landlord or any other person of any improvement on either the land on which the Building is presently built or any (and adjacent thereto or within the Building, nor the noise, dust vibration or other inconvenience or the reduction of light, air, or view occasioned by such renovation, construction or demolition shall affect the obligations of the Tenant or result in any liability of Landlord, provided that in so doing Landlord acts diligently and in a good workmanlike manner and uses reasonable commercial efforts to minimize interruption of Tenant's use of the Premises.

ARTICLE 13 SUBSTANTIAL DAMAGE AND DESTRUCTION, EXPROPRIATION

13.1 ABATEMENT OF RENT

In the event of partial or total destruction of the Premises by fire, explosion, the elements or other cause of casualty of any nature whatsoever, if the destruction is such that in the opinion of the Landlord's Architect the Premises cannot be used in whole or in part for the Tenant's business until repaired, Basic Rent and Additional Rent will abate in accordance with the proportion of the Premises not capable of being used for the Tenant's business until the repair has been made, the whole as long as and to the extent of insurance proceeds in this regard.

13.2 SUBSTANTIAL DESTRUCTION

In the event of damage to or destruction of:

- 13.2.1 the Premises; or
- 13.2.2 a substantial portion of the Building, whether the Premises are also damaged or not;

and in the reasonable opinion of the Landlord's Architect, the repair, restoration or reconstruction cannot, with the exercise of reasonable diligence, be completed within six (6) months of the date of such damage or destruction (the "Construction Period"), the Landlord or Tenant may within forty-five (45)

days after such damage on giving thirty (30) days' written notice to the other party, cause this Lease to be terminated.

The Landlord shall cause the Landlord's Architect to promptly examine the damaged portions of the Building for the purpose of expressing an opinion in the foregoing circumstances and will use its best efforts to provide the Tenant with a copy of that opinion in writing within thirty (30) days after the damage or destruction.

In the event of termination of this Lease as aforesaid, the Term will be deemed to have expired and the Tenant will deliver up possession of the Premises accordingly, rent will be apportioned and will be payable up to the date of such damage or destruction, or to the date of termination if the Tenant has been capable of continuing its business operation, and the Tenant will be entitled to be repaid by the Landlord any Rent paid in advance and unearned or an appropriate portion.

13.3 ARCHITECT'S CERTIFICATE

The certificate of the Landlord's independent architect certifying that damage or destruction has occurred to the extent set forth in Section 13.2 will be binding and conclusive upon the Landlord and the Tenant for the purpose hereof.

13.4 REBUILDING

If this Lease is not terminated pursuant to Section 13.2, the Lease will remain in full force and the Landlord will, to the extent of insurance proceeds made available, cause the damage or destruction to the Landlord's Work and to the Building damaged or destroyed to be promptly repaired, restored or reconstructed and the Tenant will promptly repair, restore or reconstruct Tenant's Work. The Landlord will not be required to repair, restore or reconstruct any other part of the Building. It is expressly understood that all repair and rebuilding by the Landlord under any provision of this Article 13 may be carried out by the Landlord, as the Landlord, in its discretion, determines and, without limiting the generality of the foregoing, in no event shall the Landlord be bound to repair or rebuild the Premises or the Building to their original form, specification or dimension, except that the materials used shall not be of a quality inferior to the materials used in the Building at the Commencement Date. The obligation to resume paying Rent shall, subject to Section 13.1 hereof, resume on the later of (i) thirty (30) days following the Landlord's completion of its repairs or rebuilding of the Premises or (ii) on the day the Parts of the Building that are necessary for the Tenant's operation are completed.

13.5 EXPROPRIATION

In the event of expropriation of all or part of the Premises, both parties will co-operate with each other so that each may receive the maximum award available to it from any expropriating authority.

If the Lease is not terminated then Sections 13.1 and 13.2 above will apply, with the required adjustments, and the Landlord shall proceed with any repairs to the Premises which are necessary as a result of the expropriation.

After the later of the date of expropriation or the repair period, if any, the Rent will be adjusted so that it will bear the same proportion of the original Rent as the area of the remaining Premises bears to the area of the Premises immediately before the expropriation, and the Tenant's Proportionate Share will be adjusted in the same manner.

ARTICLE 14 ASSIGNMENT, SUBLETTING, SALE OR MORTGAGE

14.1 ASSIGNMENT AND SUBLETTING

The Tenant will not have the right to effect a Transfer without first complying with Section 14.4 and without the prior written consent of the Landlord in each instance, which consent will not be unreasonably withheld or delayed beyond fifteen (15) business days from the date the request together with all the information pertaining to the

proposed Transfer, as requested by the Landlord acting reasonably including, without limitation, the name, address, telephone numbers of the proposed transferee and its principals, bank and other credit references, experience of the transferee or principals to operate for the permitted use, the type of proposed Transfer, the portion of the Premises which is subject to the proposed Transfer, as well as all other information that may be reasonably requested by the Landlord or the Mortgagee, including the financial conditions of the Transfer, is received.

The Landlord shall be entitled to be reimbursed for all reasonable expenses it incurs resulting from a proposed Transfer, whether or not it consents thereto. The Landlord will advise the Tenant of the amount of such expenses at the time it notifies the Tenant as to whether or not it is granting its consent, and such amount shall be due and payable on the day which is fifteen (15) days following delivery of the Landlord's notice. If the Landlord consents, the consent will not be effective until such time as the amount payable to the Landlord under this Article has been paid.

No Transfer shall be permitted unless the transferee shall have expressly agreed to be bound directly towards the Landlord for the due fulfilment of all of the Tenant's obligations under this Lease which relate to the Transfer.

If Landlord consents to a Transfer, all sub-rentals and/or any other amounts or consideration payable by a subtenant, assignee or other person to the Tenant for this Lease (and for greater certainty, not with respect to the Tenant's goodwill or interest in leasehold improvements) are hereby irrevocably and unconditionally assigned to the Landlord such that the subtenant or other person will pay all such sums directly to the Landlord and the amounts so paid will be credited against the Tenant's monetary obligations under this Lease.

Furthermore, it is understood that if Landlord does not collect any sub-rentals or other amounts from any subtenant or other person the Tenant will have no claim or defense against the Landlord in any manner whatsoever however the Tenant shall be entitled to claim the amounts to which it is entitled from the sub-tenant.

14.2 CONTINUING LIABILITY

Notwithstanding any assignment or sublease and notwithstanding Article 1873 of the *Civil Code of Quebec* or any other legislation to the contrary, the Tenant will remain for the Term solidarily liable with each assignee, subtenant, franchisee or other transferee, for the fulfilment of all of the Tenant's obligations under this Lease without novation and without benefit of division or discussion.

14.3 LANDLORD'S RIGHT OF OFFER

Throughout the Term, the Landlord shall have a right of first offer on the Premises or any portion of the Premises that the Tenant wishes to assign or sublease in accordance with Section of 14.1 (the Premises or such portion of the Premises being referred to for the purposes of this Section 14.4 as the "Available Space"). Within thirty (30) days of the Landlord's receipt of the Tenant's written notice to the effect that it intends to assign or

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sublease the Available Space (the "Notice Period"), the Landlord shall notify in writing the Tenant of its intention to avail itself of its rights to take back the Available Space, in which case, the Lease shall terminate in relation to the Available Space effective as of the expiration of the Notice Period. In such case, the Basic Rent, the Additional Rent and the Proportionate Share will be automatically adjusted accordingly.

Should the Landlord decide not to avail itself of its right of first offer, the Tenant shall then have the right, notwithstanding any other provision to the contrary provided herein, to assign or sublease the Available Space to any person or entity subject to the terms of this Article 14.

14.4 SUBORDINATION AND ATTORNMENT

14.4.1 Upon the request of the Landlord and by such document as is reasonably required by the Mortgagee, the Tenant will subordinate its rights hereunder to any hypothecs or mortgages resulting from any financing or refinancing, anytime against the Building, and to all advances made on that security, provided that upon Tenant's request, the Landlord shall use reasonable commercial efforts to obtain a non-disturbance agreement in a form reasonably satisfactory to the Tenant whereby the mortgagee shall recognize the Tenant's rights under the Lease and not disturb the Tenant's occupancy of the Premises provided the Tenant is not in default of its obligations pursuant to the Lease, the whole at Tenant's expense.

14.4.2 The Tenant will, if any legal proceedings are brought under any hypothec, mortgage or other financing or refinancing by the Landlord in respect of the Building, attorn to the encumbrance holder upon any such proceedings and recognize such encumbrance holder as the Landlord under this Lease, if such encumbrance holder so elects, subject to the Landlord using reasonable commercial efforts to obtain a non-disturbance agreement at Tenant's request and at Tenant's sole cost and expense .

14.4.3 No subordination or attornment under this Section will have the effect of disturbing the Tenant's occupation and possession of the Premises, if the Tenant is not in default hereunder and complies with all of the covenants, terms and conditions of this Lease.

14.4.4 EXCEPTIONS

Notwithstanding any other provision herein, the Tenant shall not require Landlord's consent (but in each case shall provide Landlord with at least fifteen (15) days prior written notice thereof), to do the following (a "Permitted Transfer"), and none of the following shall be subject to the terms of this Article 14 but shall however be subject to the additional provisions set out below:

14.4.5 to assign this Lease or to sublease the whole of the Premises to a related corporation of Tenant, but only so long as such company remains a related corporation;

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14.4.6 to amalgamate (within the meaning of the Canada Business Corporations Act) with one or more corporations, provided that the party(s) exercising effective voting control of Tenant immediately following the amalgamation shall be the same as the party(s) who exercised effective voting control of Tenant immediately prior to the amalgamation of Tenant with another corporation or corporations;

14.4.7 to assign this Lease or to sublease the whole of the Premises as part of a bona fide corporate reorganization involving Tenant, provided that the party(s) exercising effective voting control of the assignee or subtenant, as the case may be, immediately following the completion of the reorganization shall be the same as the party(s) who exercised effective voting control of Tenant immediately prior to the reorganization;

14.4.8 to enter into a Transfer by way of an assignment of this Lease, which forms part of a business transaction in which a buyer will acquire the majority of the Tenant's assets;

14.4.9 to enter into a Transfer by way of a change in control of Tenant, which forms part of a business transaction in which a buyer will acquire the majority of the shares in the capital stock of Tenant;

14.4.10 to enter into a Transfer by way of an IPO or a similar transaction.

The following additional provision must also be satisfied:

- (i) such transferee shall, at Landlord's option, enter into an agreement with both the Landlord and the Tenant agreeing to be bound by the Tenant's obligations hereunder.

Furthermore, notwithstanding any such Permitted Transfer, the original Tenant shall remain liable for performance of and compliance with all of the terms, conditions and provisions of this Lease.

- 14.5.1 Whenever reasonably requested by the Landlord, a Mortgagee, an encumbrance holder or other third party having an interest in the Building, the Landlord or the Tenant, as the case may be, will promptly execute and deliver an estoppel certificate or other form of certified acknowledgement as to the status and validity or otherwise of this Lease, the state of the Rent accounts hereunder, and such other information as may reasonably be required.
- 14.5.2 The Tenant will execute and deliver whatever instruments and certificates are requested by all or any of the Landlord, the owner, the emphyteutic lessor if any, and any Mortgagee to give effect to any of the foregoing.

14.6 **SALE BY THE LANDLORD**

The Landlord may sell or otherwise transfer its interest in the. In any such case provided the acquiring party assumes all of the Landlord's obligations under the Lease as of the date of the transfer, the Landlord will be released of any obligation hereunder after the date of the transfer other than any then current default by the Landlord.

**ARTICLE 15
INDEMNITY, CHARGES**

15.1 **INDEMNITY**

Provided same is not the result of Landlord's or that of those for whom it is responsible in law's fault or negligence, the parties agree the Landlord shall not be liable for any death or injury arising from or out of any occurrence in, upon, at or relating to the Premises, or the Building, damage to property of the Tenant or others located on the Premises or the Building, or any loss or damage to any property of the Tenant or others from any cause whatsoever unless any such death, injury, loss or damage results from the fault or negligence of the Landlord, or those for whom the Landlord is in law responsible. Without limiting the generality of the foregoing, provided same is not the result of Landlord's gross fault or negligence the Landlord (or those for whom it is responsible in law) shall not liable for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain, snow or leaks from any part of the Premises or the Building or from the pipes, appliances, plumbing works, roof or subsurface of any floor or ceiling or from the street or any other place or by dampness or by any cause of whatsoever nature. All property of the Tenant kept or stored on or at the Premises or the Building shall be so kept or stored at the risk of the Tenant only and the Tenant shall hold the Landlord harmless from and against claims arising out of damage to same, including subrogation claims made by the Tenant's insurers provided same is not the result of Landlord's gross (or those for whom it is responsible in law) fault or negligence. Notwithstanding the foregoing, if the Tenant is insured with respect to any loss, damage, death or injury (whether or not caused by the fault or negligence of the Landlord) or if the Tenant should have been insured in accordance with the provisions of this Lease with respect to same, the liability of the Landlord with respect to such loss, damage, death or injury shall be reduced by an amount corresponding to the insurance proceeds payable to the Tenant or those that would have been payable to the Tenant had it been insured in accordance with the provisions of this Lease as well as the amount of the deductible.

Provided same is not the result of Landlord's gross (or those for whom it is responsible in law) fault or negligence, the Tenant will indemnify and save harmless the Landlord of and from any and all loss and damage and all fines, expenses, costs, suits, claims, demands, actions and liabilities of any kind or nature to persons and property for which the Landlord will or may become liable, incur or suffer by reason of a breach, violation or non-performance by the Tenant of any covenant, term or provision hereof or by reason of any legal hypothecs for any work done or materials provided or services rendered for improvements, alterations, or repairs made by or on behalf of the Tenant to the Premises

or by reason of any injury occasioned to or suffered by any person or damage to any property, by reason of any wrongful act, neglect or default on the part of the Tenant or those for whom it is responsible at law, whether in the Premises or elsewhere in the Building. If the Landlord shall be made a party to any litigation commenced by or against the Tenant in respect of which the Landlord has not been faulty or negligent, then the Tenant shall protect, indemnify and hold the Landlord harmless and shall pay all costs and expenses and reasonable legal fees incurred or paid by the Landlord in connection with such litigation. The parties shall also pay all expenses and reasonable legal fees (including judicial and extra-judicial fees) that may be incurred or paid by the prevailing party in enforcing the terms of this Lease, unless a court shall decide otherwise. Such indemnification will survive any termination of this Lease, anything in this Lease to the contrary notwithstanding.

15.2 **HYPOTHECS**

The Tenant will, within ten (10) days after notice from the Landlord remove or cause to be removed any legal hypothecs published or registered against the title of the Landlord or to the Building if such hypothec is as a result of work done by the Tenant or by anyone (other than the Landlord) on behalf of the Tenant. Notwithstanding the foregoing, if the Tenant is contesting in good faith the claim and cannot obtain a discharge without paying the creditor the claim being contested, the Tenant will provide security reasonably acceptable to the Landlord to cover one hundred and fifty percent (150%) of the amount being claimed. If the presence of such hypothec hinders a sale or a financing by the Landlord, the Tenant undertakes, within ten (10) days following a written request by the Landlord, to have the hypothec radiated failing which the Landlord may proceed with the radiation by paying the creditor who benefits from the charge, the whole at the Tenant's cost.

Notwithstanding any other provision set forth herein, the Tenant shall be permitted to grant a lien, mortgage, debenture, charge or encumbrance which may attach to the goods, trade fixtures, furnishings or equipment of the Tenant located in the Premises, excluding leasehold improvements (hereinafter collectively called the "Equipment") so long as:

- (a) any such lien, mortgage, debenture, charge or encumbrance arises through any bona fide financing done by the Tenant in accordance with the Tenant's normal business practice or by reason of any sale and leaseback agreement entered into by the Tenant for financing purposes with respect to the Equipment (excluding leasehold improvements); and
- (b) The Tenant is not in default under any such lien, mortgage, debenture, charge or encumbrance, or any such sale or leaseback agreement.

ARTICLE 16
DEFAULT, REMEDIES, RESILIATION

16.1 DEFAULT

If and whenever:

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- 16.1.1 the Tenant is in default in the payment of any Rent, whether hereby expressly reserved or deemed as such, or any part thereof, and such default continues for ten (10) days following written notice of Landlord to that effect;
- 16.1.2 the Tenant's leasehold interest under this Lease or any of the goods, equipment, or moveable property of the Tenant located in the Premises are seized in execution or attachment, the Tenant becomes bankrupt, makes a proposal, the Tenant takes the benefit of any Act in force for bankrupt or insolvent debtors or becomes involved in voluntary or involuntary winding-up, dissolution or liquidation proceedings (other than as part of a bona fide corporate reorganization that is not effected in connection with or as a result of insolvency), or if a receiver is appointed for substantially all of the business, property, affairs or revenues of the Tenant and the receiver is not removed within thirty (30) days of his appointment; or
- 16.1.3 **INTENTIONALLY DELETED**
- 16.1.4 the Tenant does not observe, perform and keep all of the covenants, agreements, stipulations, obligations, conditions and other provisions of this Lease to be observed, performed and kept by the Tenant and persists in such default, in the case of monetary payments beyond forty-eight (48) hours in case of a default under Article 9, beyond the ten (10) day period stipulated in Subsection 16.1.1, or in the case of any other default (other than one described in Subsection 16.6.2), for more than thirty (30) days after written notice from the Landlord requiring that the Tenant rectify such default, or in the case of any such default which would reasonably require more than thirty (30) days to rectify, unless the Tenant commences rectification within that thirty (30) day notice period and thereafter diligently proceeds with the rectification of any such default;

then such failure, shall by the mere lapse of time for the performance of such obligation, constitute a default and a breach of this Lease, and in each of such cases, and at the option of the Landlord this Lease may be ipso facto resiliated, the Term will then immediately become forfeited, and the Landlord may forthwith re-enter the Premises or any part thereof and in the name of the whole repossess and enjoy same and bolt the locks, the whole notwithstanding anything to the contrary contained in this Lease or in any statute or law, including, but not limited to, Article 1863 of the *Civil Code of Quebec*, and without prejudice to Landlord's other rights and recourses in the circumstances. Upon resiliation, the Landlord shall be immediately entitled to payment of the equivalent of Basic Rent and Additional Rent for the then current month and for the next succeeding three (3) months, and the Landlord may immediately claim the same together with any arrears then unpaid and any other amounts owing to the Landlord by the Tenant (including, without limitation, alt cash allowances, inducements, payments and the value of any Rent free periods conferred on the Tenant in connection with the Premises) under reserve of and without prejudice to all of the Landlord's other rights, remedies and recourses. In the case of resiliation resulting from bankruptcy or insolvency, the Landlord

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will, in addition to all of its other rights, remedies and recourses, be entitled to the equivalent of three (3) months Basic Rent and Additional Rent then payable on a monthly basis, as accelerated rent.

16.2 LANDLORD MAY PERFORM

If the Tenant will fail to observe, perform or keep any of the provisions of this Lease to be observed, performed and kept by the Tenant, subject to rectification within the period set out in Subsection 16.1.4, the Landlord may, but will not be obliged to, at its discretion and without prejudice to its other rights, rectify the default of the Tenant. For such purpose the Landlord may make any reasonable payment and/or do or cause to be done such things as may be requisite including, without limiting the generality of the foregoing, enter upon the Premises. Any such performance by or at the request of the Landlord will be at the expense of the Tenant (plus a fifteen percent (15%) administration fee) and such expenses will be recoverable as Additional Rent, payment of which is to be made by the Tenant within fourteen (14) days of presentation of an invoice therefor.

16.3 COSTS AND INTEREST - INTENTIONALLY DELETED.

16.4 INTENTIONALLY DELETED

16.5 VACATE UPON TERMINATION OR RESILIATION

At the termination or resiliation of this Lease, whether by effluxion of time or otherwise, the Tenant will vacate and deliver up possession of the Premises in the same condition as the Premises were in upon delivery of possession to the Tenant, subject to the exceptions from the Tenant's obligation to repair in accordance with Section 11.2, and subject to the Tenant's rights and obligations in respect of removal in accordance with Section 12.2, and will surrender all keys to the Premises to the Landlord at the place for payment of Rent and will inform the Landlord of all combinations on locks, safes and vaults, if any, in the Premises.

16.6 ADDITIONAL RIGHTS ON RESILIATION

If the Landlord resiliates this Lease due to the default of the Tenant:

- 16.6.1 notwithstanding any such resiliation or the Term hereby becoming forfeited and void, the provisions of this Lease relating to the consequences of resiliation will survive;

- 16.6.2 the Landlord may use such force as it may deem reasonably necessary for the purpose of gaining admittance to and retaking possession of the Premises;
- 16.6.3 the Landlord may re-let the Premises or any part thereof for a term or terms which may be less or greater than the balance of the Term and may grant reasonable concessions in connection therewith; and

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- 16.6.4 the Tenant will pay to the Landlord on demand, without prejudice to the Landlord's other rights and recourses;
- (a) rent and all other amounts payable hereunder up to the end of the Term or renewed Term as the case may be, plus in the event of bankruptcy, accelerated rent equal to three (3) months of Basic Rent and Additional Rent payable on a monthly basis;
- (b) such reasonable expenses as the Landlord may incur or has incurred in connection with the re-entering, terminating, reletting, collecting sums due or payable by the Tenant, realizing upon assets seized, including without limitation reasonable brokerage, reasonable legal fees and disbursements, and the expenses of keeping the Premises in good order, repairing same and preparing them for re-letting;

the whole without prejudice to Landlord's rights and recourses to claim any additional damages.

16.7 APPLICATION OF MONIES

Payment by the Tenant or receipt by the Landlord of less than the required monthly payment of Rent is on account of the earliest stipulated Rent. An endorsement or statement on a cheque or letter accompanying a cheque or payment as Rent is not an acknowledgement of full payment or an accord and satisfaction, and the Landlord may accept and cash the cheque or payment without prejudice to its right to recover the balance of the Rent or pursue its other remedies.

16.8 NO WAIVER

No provision of this Lease will be deemed to have been waived by the Landlord or the Tenant unless a written waiver from the Landlord or the Tenant, as applicable, has first been obtained and, without limiting the generality of the foregoing, no acceptance of rent subsequent to any default, and no condoning, excusing or overlooking by the Landlord or the Tenant on previous occasions of any default nor any earlier written waiver, will be taken to operate as a waiver by the Landlord or the Tenant, as the case may be, or in any way to defeat or affect the rights and remedies of the Landlord or the Tenant.

16.9 REMEDIES CUMULATIVE

No reference to or exercise of any specific right or remedy by the Landlord or the Tenant will prejudice or preclude the Landlord or the Tenant from any other remedy, whether allowed at law or in equity or expressly provided for herein. No such remedy will be exclusive or dependent upon any other such remedy, but the Landlord and the Tenant may from time to time exercise any one or more of such remedies independently or in combination. Without limiting the generality of the foregoing, the Landlord will be entitled to commence and maintain an action against the Tenant to collect any rent not paid when due, without exercising the option to terminate this Lease pursuant to Section 16.1.

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16.10 HOLDING OVER

This Lease will not be subject to tacit renewal. If the Tenant continues to occupy the Premises after the expiration or other termination of the Term without the written consent of the Landlord, the Lease will be a monthly lease at a Basic monthly rent equal to one hundred fifty percent (150%) of the monthly instalment of the Basic Rent and Additional Rent payable on the last month of the Term and subject always to all of the other provisions in this Lease insofar as the same are applicable to a month-to-month tenancy.

ARTICLE 17 INTENTIONALLY DELETED

ARTICLE 18 GENERAL PROVISIONS

18.1 LANDLORD'S OR TENANT'S PERFORMANCE

Notwithstanding anything in this Lease to the contrary, neither the Landlord nor the Tenant will be deemed to be in default in respect of the performance of any of the terms, covenants and conditions of this Lease if any failure or delay in such performance is due to any strike, lockout, civil commotion, warlike operation, invasion, rebellion, hostilities, military or usurped power, sabotage, governmental regulations or controls, act of God, bankruptcy of contractors, inability to obtain labour or materials, or other cause beyond the control of the Landlord or the Tenant, as the case may be (other than the financial condition of the performing party). Nothing herein shall excuse the Tenant from the prompt payment of Rent.

18.2 RELATIONSHIP OF PARTIES

Nothing contained herein will be deemed or construed by the parties hereto, nor by any third party, as creating the relationship of principal and agent or of partnership or of joint venture between the parties hereto. Neither the method of computation of rent nor any other provision herein, nor any acts of the parties, will be deemed to create any relationship between the parties other than the relationship of landlord and tenant.

18.3 SOLE AGREEMENT

This Lease, sets forth all of the warranties, representations, covenants, promises, agreements, conditions and understandings between the parties concerning the Premises and the Building. There are no warranties, representations, covenants, promises, agreements, conditions or understandings, either oral or written, express or implied, between them other than as set forth in this Lease, and in any modifications to this Lease made in compliance with Section 18.4.

18.4 MODIFICATIONS

Except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this Lease will be binding upon the parties unless reduced to writing and signed by the party against whom it is being enforced..

18.5 PUBLICATION/REGISTRATION

The Tenant may publish its rights under the Lease pursuant to the provisions of Article 2999.1 of the *Civil Code of Quebec*. The form, which shall contain no financial information, shall be subject to the Landlord's prior approval.

18.6 APPLICABLE LAWS

18.6.1 This Lease will be governed and construed by the laws of Quebec and the laws of Canada applicable therein.

1 8.6.2 The venue of any proceedings taken in respect of this Lease will be in the City of Montreal.

18.7 CONSTRUED OBLIGATIONS, SEVERABILITY

All of the provisions of this Lease are to be construed as obligations and agreements. Should any provision of this Lease be or become illegal, invalid or not enforceable, it will be considered separate and severable from this Lease and the remaining provisions will remain in force and be binding upon the parties hereto and be enforceable to the fullest extent of the law.

18.8 TIME

Time will be of the essence hereof.

18.9 NOTICE

18.9.1 Any notice to be given hereunder will be in writing and may be either delivered personally by bailiff or by courier, or sent by prepaid, registered or certified mail and, if so mailed, will be deemed to have been given five (5) business days following the date upon which it was mailed. The addresses of the parties for the purpose hereof will be, in the case of the Landlord, the address of the Landlord set forth in Paragraph 1.1.1(b), with a copy sent to such other party as the Landlord may require, and in the case of the Tenant, the address set forth in Paragraph 1.1.2(b), and to the address of the Premises, or at such other respective address as may be established pursuant to Subsection 18.9.3. Notwithstanding the foregoing, during the currency of any interruption in the regular postal service, any notice will only be deemed to be received when actually received.

18.9.2 Any notice or service required to be given or effected under any statutory provision or any provision of this Lease, or rules of court from time to time in effect in the Province of Quebec will be sufficiently given if mailed or delivered at the address as aforesaid.

18.9.3 Any party hereto may at any time give notice in writing to the other of any change of address of the party giving such notice and from and after the seventh day after the giving of such notice, the address therein specified will be deemed to be the address of such party for the giving of notices hereunder. Service of legal proceedings shall be effected at the last known Montreal address of the recipient.

18.10 INDEX, HEADINGS

The index, headings and any marginal notes in this Lease are inserted for convenience or reference only and will not affect the construction of this Lease or any provision hereof.

18.11 NUMBER AND GENDER

Whenever the singular or masculine or neuter is used in this Lease, the same will be construed to mean the plural or feminine or body corporate where the context of this Lease or the parties hereto may so require.

18.12 SUCCESSORS BOUND

All rights and liabilities herein given to, or imposed upon, the respective parties hereto will extend to and bind the heirs, executors, administrators, successors and assigns of the Landlord, subject to the provisions of Article 14.6 and the permitted heirs, executors, administrators, successors and assigns of the Tenant. If there will be more than one party described in Subsection 1.1.1 or Subsection 1.1.2, they will all be bound solidarily by the terms, obligations and agreements herein on the part of the Landlord or the Tenant, as the case may be.

18.13 TENANT'S ACCEPTANCE

The Tenant accepts this Lease of the Premises, to be held by the Tenant, and subject to the conditions, restrictions and covenants set forth herein.

18.14 COMMISSIONS

Each party represents to the other that it has not engaged the services of a broker or agent in connection with this transaction, save and except for CBRE Limited, who has been retained by the Tenant and whose remuneration shall be paid by the Tenant save that the Landlord has agreed to contribute/pay the total sum of \$37,675.00 to, it being understood that any and all other brokerage commissions or fees of any nature to be paid to CBRE with respect to this lease transaction (including without limitation any option to renew or extend exercised by the Tenant, any modifications to the terms of the Lease and/ or additional space leased by the Tenant) shall be borne exclusively by the Tenant to

Landlord's complete exoneration and the Tenant shall indemnify and hold harmless the Landlord from any and all claims with respect thereto. The portion payable by the Landlord to CBRE shall be payable by the Landlord within 30 days of the Commencement Date, provide this Lease has been duly and fully executed by Landlord and Tenant and provided Tenant has taken possession of the Premises, has fully fixture and equipped them and is operating therefrom.

18.15 GOOD FAITH NEGOTIATION AND REASONABLENESS

The Tenant recognizes having revised and having been explained the terms and conditions of this Lease, and that its essential stipulations have not been imposed by one of the parties but were freely discussed.

18.16 LANGUAGE CLAUSE

The parties hereto have requested that the present agreement and all deeds, documents or notices relating thereto be drafted in the English language. Les parties aux présentes ont exigé que la présente convention et tout autre contrat, document ou avis afférent ou ancillaire aux présentes soient rédigés en langue anglaise.

18.17 TENANT ALLOWANCE

Provided the Tenant is not then in default under the terms of this Lease, the Landlord will make available to the Tenant for the construction of Tenant's leasehold improvements, subject to the Landlord's acceptance of Tenant's plans, a maximum amount of the sum of **Four Hundred Thousand Dollars (\$400,000.00)** (the "Maximum Allowance"), to be applied towards the actual cost of constructing leasehold improvements within the Premises (the "Tenant's Work").

Within a period of 180 days as of the Commencement Date (the "Draw Period"), upon sixty (60) days' prior written notice to the Landlord, the Tenant shall be entitled to draw upon the Maximum Allowance. As of the expiry of the Draw Period and for the remainder of the Initial Term, the annual Basic Rent shall be increased by, the total amount drawn by the Tenant (the "Allowance Drawn"), amortized on a straight-line basis over the balance of the Initial Term as of the expiry of the Draw Period, plus annual interest at the Prime Rate of interest charged by the Royal Bank of Canada as at the date thereof plus three percent, per annum (the aggregate of which is hereinafter referred to as the "Allowance") such that the full amount of the Allowance, shall be reimbursed by the Tenant to Landlord prior to the expiry of the initial Term.

For clarity, prior to drawing on the Maximum Allowance, the Landlord must have reviewed and approved the plans and specifications of the Tenant's Work and the total cost thereof. The Tenant may only draw on the Maximum Allowance and the amount will only be payable only upon;

- (a) the execution of this Lease by both Landlord and Tenant;

- (b) the execution by both Landlord and Tenant of a lease amending agreement prepared by the Landlord to confirm the new Basic Rent payable by Tenant;
- (c) copies of invoices paid by Tenant for Tenant's Work, duly substantiating the total amount being drawn and the Allowance Drawn;
- (d) delivery of a statutory declaration from a senior officer of the Tenant, confirming that: (i) all Tenant's Work has been completed and all accounts in respect of the Tenant's Work have been paid in full; and (ii) the expiry of all lien/hypothec periods;
- (e) delivery to the Landlord of certificates evidencing the placement of insurance by the Tenant in accordance with this Lease; and
- (f) receipt by the Landlord of a written request from the Tenant for the Allowance Drawn.

18.18 RIGHT OF FIRST OPPORTUNITY

Provided that (i) Provided the Tenant is in occupation of the whole of the Premises; (ii) the Tenant is not then in default under the terms of this Lease; and (iii) the Building is beneficially owned or controlled, directly or indirectly, by S. Rossy Investments Inc. or any member(s) of Mr. Larry Rossy's immediate family, the Tenant shall have the right of First opportunity to lease the first space available in the Building, (the "Right of First Opportunity") which Right of First Opportunity shall be exercisable as follows:

- (a) The Landlord shall give a notice to the Tenant (the "Landlord's Notice") of any space that will become available in the Building (the "Available Space") and the Landlord shall not lease the Available Space to a third party within thirty (30) days from Landlord's Notice, unless Tenant informs Landlord it is not exercising this Right of First Opportunity;
- (b) If Tenant wishes to avail itself of this Right of First Opportunity, the Tenant must send a written notice of exercise of Right of First Opportunity to the Landlord which must be received by Landlord within thirty (30) days of Landlord's Notice. In such case, the Landlord and Tenant shall then have an additional thirty (30) days as of receipt of Tenant's notice, to negotiate the business rental terms of the Available Space. Should an agreement between Landlord and Tenant not be reached within this thirty day period, then this Right of First Opportunity shall be null and void and the Landlord shall have the right to market and lease the Available Space with no further obligation to the Tenant, but on terms no more favourable than those which had been offered to the Tenant, unless within three

(3) business days of notice from Landlord to Tenant setting out the terms and conditions at which the Additional Space is to be leased the Tenant has not confirmed to Landlord in writing to be received by Landlord within such three business days that Tenant is prepared to lease the Additional Space

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at the terms and conditions set out in Landlord's notice, in which case, failing receipt of such notice, the Landlord shall have the right to lease the Available Space, without further obligation to the Tenant and without recourse by the Tenant.

18.19 TERMINATION

Should the Tenant not exercise its Right of First Opportunity to lease the extra warehouse space, that is, the remainder of the Building, then the Landlord shall have the right to terminate this Lease with a twelve (12) months' prior written notice, (the "Termination Notice") it being agreed that the Termination Notice may not be given within the first two (2) years of the Initial Term. Upon the day following the expiry of the 12th month following the Termination Notice, the Lease shall expire, without recourse against the Landlord, it being agreed however that in the event of this case only, at the early expiry of the Initial Term, the Tenant shall no longer be obligated to reimburse the balance of the Allowance still owing to the Landlord.

18.19 REASONABLENESS AND BACK-UP

The Landlord, and each person acting for the Landlord, in making a determination (including, unless otherwise provided in this Lease, a determination as to whether or not to grant any consent or approval required of it pursuant hereto), designation, calculation, estimate, conversion, or allocation under this Lease, will act reasonably and in good faith and each accountant, architect, engineer or surveyor, or other professional person employed or retained by the Landlord will act in accordance with the applicable principles and standards of the person's profession.

Additionally, whenever the Landlord is required or has the option to make any determination, calculation, estimate or allocation, it shall provide the Tenant with all necessary back-up and supporting calculations.

18.20 EXTERIOR GROUNDS AND PARKING

Throughout the Term and any renewal thereof, (i) the parking spaces (approximately 56 in total) in the area highlighted in yellow on Schedule "B" shall be marked as reserved for the Tenant's exclusive use; (ii) the Tenant shall have exclusive use of the terrace areas adjacent to the Premises grid lined on Schedule "B". The Tenant shall at its sole cost and expense and to Landlord's complete exoneration see to the maintenance repair and replacement of the terrace areas.

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IN WITNESS WHEREOF the parties have executed this Lease as at the date first hereinabove mentioned.

S. ROSSY INVESTMENTS INC.

Per: /s/ Larry Rossy
Mr. Larry Rossy, President
Authorized Signatory

DAVIDsTEA INC.

Per: /s/ Howard Tafler
Mr. Howard Tafler
Authorized Signatory

Per: /s/ Herschel Segal
Mr. Herschel Segal
Authorized Signatory

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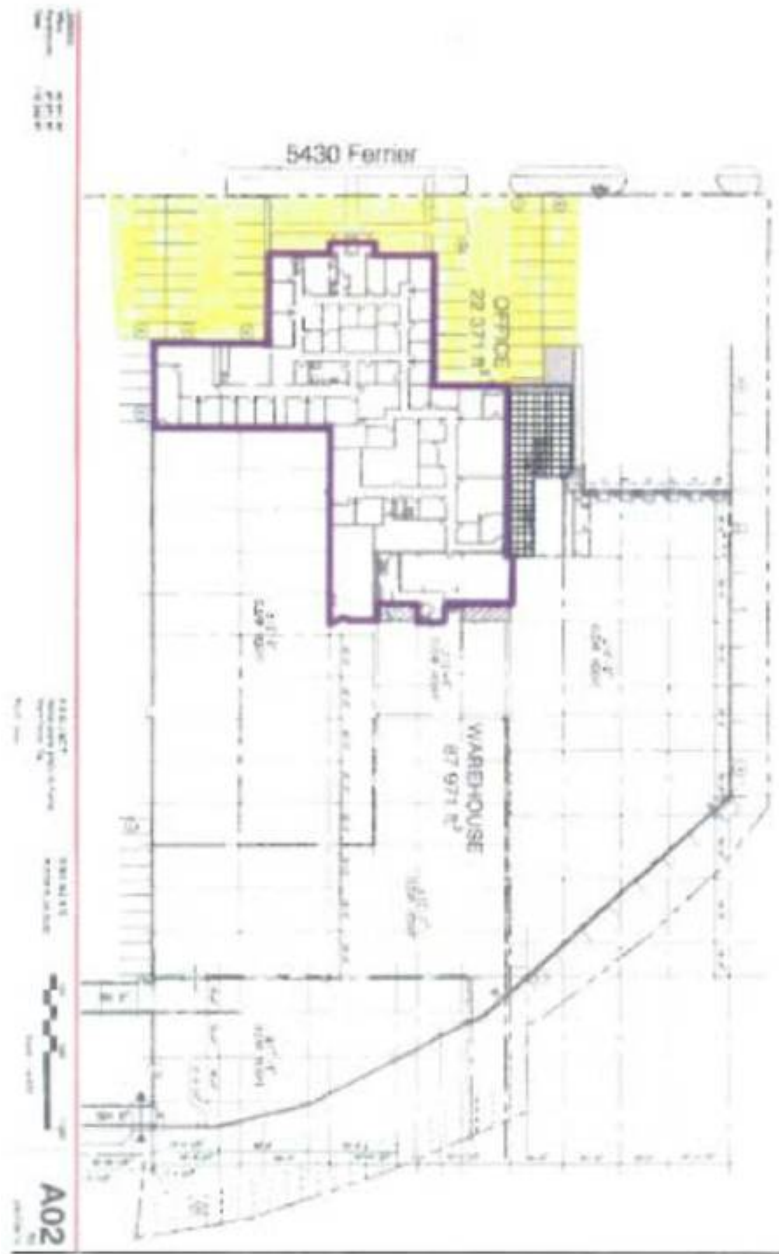
SCHEDULE "A"

DESCRIPTION OF THE BUILDING

Lot 2 646 773 of the Cadastre of Quebec, Registration Division of Montreal

SCHEDULE "B"

FLOOR PLAN



SCHEDULE "C"

DEFINITIONS

In this Lease the terms defined in this Schedule "C" are used with the meanings defined as follows:

1. **"Additional Rent"** means any and all sums of money or other sums, amounts, costs, expenses and charges or increases therein (except Basic Rent) relating to the Premises, the business of the Tenant or the Building, for which the Tenant is responsible, in whole or in part, in accordance with this Lease,
2. **"Basic Rent"** means the rent set out in Subsection 1.1.6 and payable in accordance with Article 4,
3. **"Basic Terms"** means those terms set out in Section 1.1 some of which are more particularly defined in this Schedule "C".
4. **"Building"** means the lands legally described in Schedule "A" of this Lease, together with all buildings and improvements from time to time erected thereon and their appurtenances including without limitation, the building within which the Premises are located.
5. **"Commencement Date"** of the Initial Term means the date set out in Paragraph 1.1.5(b).
6. Intentionally deleted.
7. **"Fractional Share"** means the product of the replacement costs and expenses of any capital replacement to the Building, the Premises or to any of the systems of the Building or the Premises, including without in any way restricting the foregoing, the Building's HVAC system and/or sprinkler system, that are capital expenses by nature in accordance with generally accepted accounting principles, excluding any Structural Repairs and any costs, expenses, charges and any other amounts incurred by the Landlord in connection with its obligations under Section 10.11, multiplied by a fraction the numerator of which is the number of months between the day of the making of such replacement and tire date of termination of the Initial Term and the denominator of which is the number of months equal to the useful life of such replacement, it being understood that the Fractional Share will never exceed 100% of tire

replacement costs and expenses. "Hazardous Substances" means any substance or contaminant deemed to be hazardous by any legal or regulatory authority.

8. **"Initial Term"** means the period set out in Paragraph 1.1.5(a).
 9. **"Interest Rate"** means an annual rate equal to the aggregate of the prime rate publicly announced from time to time by the Landlord's principal bankers from time to time as the reference rate for commercial demand loans made in Canadian funds plus three (3) percentage points.
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10. **"Landlord's Architect"** means such independent architectural firm the Landlord may select from time to time.
 11. **"Landlord"** means the party described in Subsection 1.1.1 and its successors and assigns.
 12. **"Landlord's Insurance"** means insurance placed by the Landlord pursuant to Section 9.2.
 13. **"Landlord's Work"** means the work, if any, for which the Landlord is responsible, as limitatively described in Schedule "E".
 14. **"Lease"** means this agreement and all amendments which are made thereto from time to time.
 15. **"Lease Year"** means a twelve (12) month period the Landlord adopts for the operation of the Building, which is currently designated as a calendar year. The first Lease Year will commence on the Commencement Date of the Initial Term and expire on December 31 next following and the last Lease Year will commence on January 3 preceding the expiration date and terminate on the expiration date. The Landlord may change the Lease Year from time to time, but the Tenant will not be financially prejudiced as a result of the change.
 16. **"Mortgagee"** means any mortgagee or hypothecary creditor from time to time of the Building or any part thereof.
 17. **"Notice"** includes without limitation, requests, demands, designations, statements or other writings in this Lease required or permitted to be given by the Landlord to the Tenant or to the Landlord.
 18. **"Operating Costs"** means (without duplication and without profit) all commercially reasonable costs, charges and expenses of operating, maintaining, repairing, replacing, supervising and managing the Building from time to time after the Commencement Date including all costs, charges and expenses relating to lighting and other utilities, cleaning, janitorial services, snow and refuse removal, supervising, policing and security. Landlord's Insurance, operating and maintaining fixtures, machinery, equipment and building services for the Building, striping parking spaces and aisle-ways, landscaping maintenance, repairs and replacements, other than those which are necessary to remedy structural defects or faulty workmanship in construction of the Building, equipment used for cleaning, operating and maintaining the Building, public telephones, business taxes, place of business taxes and any other taxes levied in respect of or fairly attributable to the Building, supplies, office expenses and Building personnel wages and that portion of the payroll expenses for employees of the Landlord attributable to the Building, but there will not be included therein: the cost of any Structural Repairs other than those resulting from the acts, fault or negligence of the Tenant; debt service on any real security affecting the Building; costs and expenses incurred in connection with financing, refinancing or syndication of the Building; all broker, leasing agent or leasing consulting costs or commissions and the amounts paid by Landlord towards the cost of any tenant leasehold
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- improvements or as to other forms of tenant inducements; any amounts recovered under warranties or guarantees (legal or contractual); marketing, advertising, market study or publicity expenses; bad debts; all costs or penalties incurred as a result of the Landlord's default to respect its obligations under any security instrument affecting the Building; any item for which the Landlord has received compensation from insurance companies or for which the Landlord would have obtained compensation had it taken out insurance in conformity with the Lease; all amounts paid as a result of the gross negligence or fault of the Landlord or a person for whom the Landlord is in law responsible; legal fees in connection with title, sale, leasing (other than this Lease) or financing of the Building; any costs and expenses incurred for the removing or remedying of any Hazardous Substances or materials on or under the Building and any costs and expenses or correcting any violation of any law, ordinance, rule or regulation applicable to the Building provided the Tenant nor those for whom Tenant is responsible in law, is responsible for the presence of the Hazardous Substances or said violation; costs and expenses related to any expenses, renovations or additions to the Building (not the responsibility of Tenant under this Lease, the acts, fault or negligence of the Tenant or use of the Premises other than permitted by this Lease); all amounts for GST and QST paid by the Landlord for which it is entitled to a credit; ail recoveries which reduce expenses incurred by the Landlord in operating, repairing and maintaining the Building; any land transfer taxes payable in connection with the Building, other than in connection with this Lease. For the purposes of this Lease, notwithstanding anything to the contrary in this Lease, the Fractional Share any costs and expenses of a capital nature are included in Operating Costs.; repairs or maintenance specific to certain tenants; income taxes, tax on capital and on large corporation; ground rent (if any), depreciation on buildings or structures and permanent parts thereof; capital costs; net recoveries that reduce the expenses incurred by the Landlord in operating and maintaining the Building, which are received by the Landlord from tenants as a result of any act, omission, default or negligence of tenants or as the result of breaches by tenants of the provisions in their leases; net recoveries from charges, If any, for the use of the parking facilities of the Building, but only to the extent that the costs of maintaining and operating the parking facilities are included in Operating Costs; any management, administrative, supervisory or similar fees; costs incurred in connection with the enforcement of leases.
19. **"Plans"** means the build-out plans and specifications pertaining to the Tenant's Work.
 20. **"Premises"** means the "Building".
 21. **"Property Taxes or Taxes"** means all real property taxes, general, school, municipal, inter-municipal, and water and service taxes, surtaxes, taxes on non-residential immovable, local improvement charges, levies, rates and charges from time to time imposed in respect of the Building against immovable property by a lawful taxing authority, whether federal, provincial, municipal, school or other governmental authorities having jurisdiction as well as any and all of a similar nature added to or replacing any of the foregoing, assessed against or allocated to the Building, whether of the foregoing character or not and whether in existence at the Commencement Date or not. any such real property taxes levied or assessed against the Landlord or the owners on account of its interest in the Building or any part thereof, or their ownership thereof, as

the case may be, the whole in accordance with Article 6 hereof, together with the cost of contesting or negotiating the same. Tenant shall not be responsible for penalties and interest relating to late payment of Property Taxes or Taxes.

22. **“Proportionate Share or Tenant’s Proportionate Share”** means a fraction, the numerator of which is the Floor Area of the Premises and the denominator of which is the Floor Area of the Building.
23. **“Rent”** or rent means any monies due or payable by the Tenant to the Landlord pursuant to this Lease, whether as Basic Rent, Additional Rent, or otherwise.
24. **“Rent Commencement Date”** means the Commencement Date.
25. **“Rules and Regulations”** means those rules and regulations attached to this Lease as Schedule “D” and all reasonable and non-discriminatory amendments and additions thereto made by the Landlord in accordance with this Lease.
26. **“Structural Repairs”** means any repairs to the structure of the Building (including foundation and roof) required from time to time.
27. **“Tenant”** means the party or parties described in Subsection 1.1.2 and the permitted assignees thereof.
28. **“Tenant’s Work”** means the work for which the Tenant is responsible, including the work as described in Schedule “E”.
29. **“Term”** means the Initial Term.
30. **“Transfer”** means any and all assignment of this Lease, sublease of the whole or part of the Premises, granting of concessions or licenses by the Tenant with respect to the Premises, occupancy by any other person or change of corporate control of the Tenant.
31. **“Year”** means any period of twelve (12) consecutive months, the first of which shall commence on the Commencement Date of the Term.

SCHEDULE “D”

RULES AND REGULATIONS

1. REFUSE

- (a) All trash, rubbish, waste material and other garbage will be kept within the Premises until the day of removal, such removal to be at the expense of the Tenant on a regular basis.
- (b) The Tenant will not burn any garbage in or about the Premises or anywhere within the Building.
- (c) If the Tenant’s garbage is of a deteriorating nature, creating offensive odours, the Tenant will utilize and maintain at its cost and expense refrigerated facilities as required by the Landlord.
- (d) In the event the Landlord considers necessary, or otherwise consents in writing to, the placing of the Tenant’s garbage outside the Premises, such garbage will be placed by the Tenant in containers approved by the Landlord but provided at the Tenant’s expense and kept at a location designated by the Landlord.

2. OVERLOADING. SUSPENSION

The Tenant will not overload any floor of the Premises in excess of 100 pounds per square foot (live load).

3. ELECTRICAL EQUIPMENT

- (a) The Tenant will at its sole cost and expense, install and maintain all necessary lighting fixtures, electrical equipment and wiring therefor in the Premises.
- (b) If the Tenant requires any electrical equipment which might overload the electrical facilities in the Premises, the Tenant will submit to the Landlord plans and specifications for work required to install and supply additional electrical facilities or equipment to prevent such overloadings, and will obtain the Landlord’s written approval to perform such work, such approval not to be unreasonably withheld and which will meet all the applicable regulations or requirements of any government or other competent authority, the Association of Insurance Underwriters and the Landlord’s insurers, all at the sole cost and expense of the Tenant.

4. PLUMBING

No plumbing facilities will be used for any purpose other than that for which they were designed, and no foreign substance of any kind will be thrown therein, and the expense of any breakage, stoppage or damage resulting from a violation of this provision by the Tenant or by any person for whom the Tenant is responsible will be borne by the Tenant.

5. HVAC OPERATION

The Tenant will operate its own heating, ventilating or air-conditioning equipment in such manner that there will be no indirect appropriation of heating or cooling from other portions of the Building.

6. SIGNS, ADVERTISING, DISPLAY WINDOWS

(a) INTENTIONALLY DELETED.

(b) Subject to section 10.9, the Tenant will not install any exterior lighting, any aerial or mast, or make any change to the store front of the Premises, without the prior written consent of the Landlord, not to be unreasonably withheld or delayed.

7. PESTS

If the Premises become infested with rodents, vermin or pests, the Tenant will promptly remedy the same at the Tenant's cost.

8. NOTICE OF ACCIDENT, DEFECTS

The Tenant will give immediate notice to the Landlord as soon as practicable in the circumstances in case of fire or accident in the Premises or of defects therein or to any fixtures or equipment thereon.

9. EMERGENCY CONTACTS

The Tenant will provide the Landlord with the names, addresses and telephone numbers of two authorized employees of the Tenant who may be contacted by the Landlord in the event of an emergency relative to the Premises.

10. PERMITS, LICENCES

The Tenant alone will be responsible for obtaining, from the appropriate municipal authority having jurisdiction, a business licence for the operation of its business on the Premises.

11. FURTHER RULES AND REGULATIONS

For the general benefit and welfare of the Building and the tenants therein, the Landlord may at any time, from time to time amend these Rules and Regulations according to Section 10.6 of the lease, so as long such amendments are reasonable and non-discriminatory discriminatory (save between warehouse and office space).

SCHEDULE "E"

DESCRIPTION OF LANDLORD'S WORK AND TENANT'S WORK

The Tenant hereby recognizes having seen and visited the Premises, declares that he is satisfied therewith and accepts them in their present state and condition, on an "as is" basis. Tenant further recognizes and accepts that no work of any nature whatsoever other than the work set out hereinafter and defined as "Landlord's Work", shall be executed by the Landlord therein and all work and/or material and equipment required for the Premises will be performed, provided and/or installed by the Tenant at its own expense (the "Tenant's Work").

Landlord's Work

Landlord shall see to the following work:

- Verify and repair all electrical, plumbing and mechanical equipment taking into consideration initial seasonal activation of the H.V.A.C and heating systems, and deliver the Premises in good working order;
 - Clean the Premises;
 - Replace any burnt light bulbs.
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LEASE AGREEMENT

Date: April 28th, 2010

BETWEEN: **OLYMBEC DEVELOPMENT (2004) INC.,** having its head office at 333, Decarie Blvd, 5th Floor, St-Laurent, Quebec H4N 3M9, acting and represented by _____, duly authorized for the purposes of these presents,
Q.S.T.: 1018121341 TQ0001
G. S.T.: 140834946

(hereinafter referred to as the “**Lessor**”)

PARTY OF THE FIRST PART

AND: **DAVIDSTEA INC.,** having a place of business at 5625, Paré Street, City of Mount-Royal, Quebec H4P 1S1, acting and represented by **Mr. David Segal,** duly authorized for the purposes of these presents,

(hereinafter referred to as the “**Lessee**”)

MATRICULE: 1165187155

PARTY OF THE SECOND PART**THE PARTIES MUTUALLY AGREE AS FOLLOWS:****1. LEASED PREMISES**

The Lessor hereby leases unto the Lessee and the Lessee accepts the space, outlined on Schedule “A” attached hereto, having a rentable area of approximately **TWENTY- THREE THOUSAND ONE HUNDRED FIFTY-TWO (23,152) SQUARE FEET** (which includes service areas). The space forms part of the building owned by the Lessor and known as 5690-5700 Paré, in the City of Mount-Royal, Province of Quebec H4P 2M2 (the “**Building**”) which space bears civic number **5690 and 5692 Paré Street** (the “**Premises**”) and represents **36.76%** of the total rentable area of the Building as of the date of signature of this Lease. If the Building’s rentable area increases or decreases, an appropriate adjustment shall be made to the Lessee’s Proportionate Share.

The Lessor shall not be responsible as with regards to the accuracy of the information pertaining to the Lessee’s civic address of the Premises, as displayed in the above paragraph. The Lessee must verify such information, at its own costs.

2. TERM OF LEASE, OCCUPANCY OF PREMISES, KEYS TO THE PREMISES**2.1 Term of Lease**

The term of the Lease shall be for a period of **One (1) year** (the “**Term**”) commencing on the **1st day of July, 2010** (the “**Commencement Date**”) and terminating on the **30th day of June, 2011** (the “**Expiry Date**”), unless the Lease is sooner terminated under the provisions hereof.

2.2 Occupancy of Premises

The Lessee shall be allowed to occupy the Premises as at **June 1st, 2010** (the “**Date of Occupancy**”).

During the period from **June 1st, 2010 until June 30th, 2010**, Lessee will be exempted from its Base Gross Rent payment, but it shall be responsible for any and all other terms and conditions contained in the Lease, including but not limited to, the payment of all Utilities, other than those included in the Base gross Rent and the water tax for its Premises. Upon any Default by Lessee, the Free Rent Period shall be retroactively forfeited and Lessee shall immediately pay Lessor Rent plus Interest for such Period in accordance with this Lease.

2.3 Keys to the Premises

The keys to the Premises shall be remitted to the Lessee on the Commencement Date or on the **Date of Occupancy Date**, provided that the following obligations are respected by the Lessee: (a) signature of the Lease; and (b) receipt by the Lessor of the deposit and/or of the security deposit as described in Article(s) **41.2 and 41.3** of the present Lease, and (c) receipt of the specimen cheque required by Article 30 herein.

3. INTENTION OF THE LEASE

The present Lease is a gross lease. The Lessor shall, therefore, be responsible for municipal taxes, school taxes, surtax and/or business tax, and other taxes as they relate to the Property, save and except for taxes that are payable by the Lessee in virtue of the Lease. In addition, the Lessor shall be responsible for operating expenses, including snow removal, Property insurance, (but not Lessee improvements, fixtures and moveable effects), Property maintenance and repairs (save and except for the maintenance and the repairs that are the responsibility of the Lessee in accordance with the Lease and Article 7 - Maintenance and Repairs - of the Lease), and administration fees equal to fifteen percent (15%) of taxes and operating expenses. The Lessee must pay the rent stipulated in Article 3.1 of these presents as well as all other sums and expenses under the provisions of the Lease.

The Lessor will use reasonable efforts to effect any such repairs and maintenance as quickly as is reasonably possible under the circumstances and agrees to use reasonable

efforts not to substantially interfere with the business operations of the Lessee in the Premises.

3.1 BASE GROSS RENT

The Lessee covenants and agrees to pay to the Lessor in lawful money of Canada without deduction, abatement or set-off, the following monthly base gross rent (the “**Base Gross Rent**”):

- (i) For the period commencing **July 1st, 2010** and terminating **June 30th, 2011**, a monthly Base Gross Rent being calculated on the annual basis of **Six Dollars and Twenty-five Cents (\$6.25) per square foot**, plus G.S.T. and Q.S.T.;

The monthly Base Gross Rent shall be payable consecutively and in advance on the First (1st) day of each month. The rent as herein provided shall be paid to the Lessor’s and/or its nominee, **OLYMBEC PROPERTIES REG’D**, at the office of the Lessor, that is, at 333 Decarie Blvd, 5th Floor, St-Laurent, Quebec H4N 3M9, or at such other place in Canada as shall be designated by the Lessor in writing to the Lessee.

No tacit renewal - Notwithstanding the provisions of Article 1879 of the Civil Code of Quebec, the Lessee shall have no right to occupy the Premises beyond the expiry of the Term. Should the Lessee continue to occupy the Premises after the expiry of the Term, without a written agreement, then in such event the Lessor shall, at its option and total discretion, either: (a) obtain vacant possession of the Premises at Lessee’s expense, (b) automatically renew the Lease for a term of one (1) year, and this, at the same terms and conditions as contained in the Lease, including the same Base Gross Rent which is payable during the last year of the Term, the whole, without further formality or execution of documentation being required; or (c) allow the Lessee to remain in the Premises as a tenant on a month to month basis at the same terms and conditions as contained in the Lease, and the Base Gross Rent shall be the same Base Gross Rent which is payable during the last year of the Term, plus fifty percent (50%) thereof, without prejudice to any of the Lessor’s other rights and recourses.

Relocation of Premises - The Lessor may **not**, at anytime during the Term, relocate the Lessee to any other premises, **without the prior written consent of the Lessee**.

3.2 ADDITIONAL RENT

Escalation Clause - Real Estate Taxes (“Taxes”) and Operating Expenses

The Lessee’s Proportionate Share of real estate taxes (Taxes) and Operating Expenses is included in the Base Gross Rent. The Lessee shall pay to the Lessor its Proportionate Share of all increases in Taxes and Operating Expenses occurring in whole or in part during the Term.

A. Real Estate Taxes (Taxes)

“**Real Estate Taxes**” or “**Taxes**” (hereinafter the “**Taxes**”) shall mean, without restriction, all taxes, special or general, ~~tax on capital, large corporation tax,~~ property taxes, municipal taxes, school taxes, surtax and or/business tax, ecclesiastical taxes, urban community taxes, rates, including local improvement rates, all new taxes, duties and assessments that may be levied,

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charged, or assessed against the Building and/or the equipment and facilities therein, and/or the Land upon which the Building is erected, and/or any property in or on the Building owned or brought thereon or therein by the Lessor, by the Lessee and/or its assignees or sublessees, whether these taxes, rates, duties and assessments are charged by a municipal, parliamentary or school authority or by another body of competent jurisdiction. **For greater certainty, “Real Estate Taxes” or “Taxes” shall exclude any penalties or interest incurred by the Lessor as a result of its failure to pay such taxes in a timely manner.**

In addition to the Base Gross Rent that is payable by the Lessee during the Term, the Lessee must pay to the Lessor, as additional rent, an amount equal to its Proportionate Share of all increases in Taxes occurring in whole or in part during the Term. Such an amount must be paid within thirty (30) days following the Lessor’s written demand. Such a demand must be accompanied by a statement showing the calculations of all increases (in whole or in part) relating to Taxes, **as well as copies of the relevant invoices**. Lessor shall be entitled, **acting reasonably**, to estimate such increases in advance and bill Lessee the budgeted increase monthly, in advance, **but in the event of an over-estimate, the Lessor shall repay the Lessee such over-estimate amounts at the end of the relevant tax year**. The Base Year for all increases relating to Taxes shall be the year ending 2010.

If in virtue of a law, regulation or otherwise, the system of real estate taxation shall be changed in such a way that a new type of tax, rate, duty or assessment is imposed on the Lessor and/or on the Property and/or on the revenues derived therefrom, the Lessor shall have the right to incorporate such change into the definition of “**Taxes**”.

For the purposes of the present article:

- (i) “**Operating Expenses**” shall mean any and all costs and expenses of any nature whatsoever that are incurred by the Lessor for the operation, the maintenance, the cleaning, the repair, the replacement, and the administration of the Property:
- (a) the cost of insurance for the Property; (b) the cost of repairs, replacements, and improvements to the Building, including all systems, equipment and facilities serving the Property; (c) the cost of maintenance, repairs, replacements, and improvements to the common areas of the Property, including, without limitation, the parking areas, roadways, and sidewalks; (d) the cost of maintenance, repairs, and improvements to the common areas of the Property, including, without limitation, snow removal, gardening, landscaping, as well as costs and maintenance for the grounds; (e) depreciation of equipment, general overhead and fees, including administrative fees, service fees as well as legal and auditing fees with regard to the administration and the operation of the Property; (f) an administrative fee equal to fifteen percent (15%) of Taxes and Operating Expenses; and (g) all expenses incurred by the Lessor in obtaining or attempting to obtain a reduction of Taxes, including professional evaluation and legal services.

Notwithstanding the foregoing, the Operating Expenses exclude the maintenance, the repairs, and the replacements that are the responsibility of the Lessee in

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accordance with the Lease and Article 7 - Maintenance and Repairs - of the Lease.

For greater certainty, the following items shall be the sole responsibility of the Lessor, and shall not be included in Operating Expenses: (a) any capital costs; (b) any costs of structural repairs; (c) any costs of repairs resulting from inherent weakness or defects; (d) any costs to prepare other premises in the Building for leasing including expenses incurred in respect of installation or removal of any tenant's improvements; (e) any costs in respect of any sum paid by the Lessor to any tenant in the Building for any tenant allowance, construction allowance or inducement, or the actual costs incurred by the Lessor for providing or installing improvements to the premises of other tenants in the Building; and (f) Ground Rent.

In addition to the Base Gross Rent that is payable by the Lessee during the Term, the Lessee must pay to the Lessor, as additional rent, an amount equal to its Proportionate Share of all increases in Operating Expenses occurring in whole or in part during the Term. Such an amount must be paid within thirty (30) days following the Lessor's written demand. Lessor shall be entitled, **acting reasonably**, to estimate such increases in advance and bill Lessee the budgeted increase monthly, in advance, **but in the event of an over-estimate, the Lessor shall repay the Lessee such over-estimate amounts at the end of the relevant year.** Such a demand must be accompanied by a statement showing the calculations of all increases (in whole or in part) relating to Operating Expenses. The Base Year for all increases relating to Operating Expenses shall be the year ending 2010.

Operating Expenses only shall not be increased by more than ten percent (10%) annually.

"Property" includes the Building and any part thereof as well as the Land upon which the Building is erected.

"Proportionate Share" means: a fraction, the numerator of which is the rentable area of the Premises and the denominator of which is the rentable area of the Building.

3.3 TAXES PAYABLE BY THE LESSEE

3.3.1 Lessee's Sales Tax ("G.S.T. and "O.S.T.")

Notwithstanding any other provisions contained in the Lease, the Lessee must pay to the Lessor an amount equal to all taxes imposed on the rental and on all other sums payable by the Lessee to the Lessor in virtue of the Lease, such taxes being known as taxes on goods and services, sales tax ("G.S.T." and "Q.S.T."), or value added taxes.

3.3.2 Other Taxes

The Lessee must pay, when due, water tax, service taxes and other impositions that may affect the Premises or the business conducted therein, and all other taxes, impositions, fees, and rates that are imposed by any government and that are payable by the Lessee or that may be payable

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by the Lessee as tenant and occupant, as well as all taxes that may be imposed on the improvements, the equipment, and the installations in the Premises, as determined by the Lessor.

If in virtue of a law, a regulation or otherwise, the system of real estate taxation shall be changed in such a way that a new type of tax, imposition, fee or rate affecting the Premises or the business conducted therein is imposed by any government and is payable by the Lessee as tenant and occupant, the Lessee must then pay this new type of tax, imposition, fee or rate.

3.4 CONTESTATION OF TAXES

The Lessor shall have no obligation to contest, litigate, or object the levying or imposition of any Taxes. The Lessor may, at its sole discretion, without notice to, consent, or approval of the Lessee, compromise, accept, consent to, waive or decide otherwise in all matters concerning the Taxes. The present Article may at no time be construed so as to reduce the monthly rental to an amount lower than the amount stipulated in these presents.

4. USE OF PREMISES

The Premises shall be used for **warehouse and distribution**, and for no other purpose whatsoever. The Lessee shall from the Commencement Date and until the termination of the Lease, be open for business with adequate staff and equipment and shall continuously, actively and diligently operate and conduct business on the whole of the Premises in an up-to-date and reputable manner. The Lessee will conduct its business in the Premises in good faith during normal business hours.

5. PERMITS. LICENSES

The Lessee shall, at its costs, obtain all necessary permits and licenses required for the occupancy and carrying on of its business, the Lessor making no warranties whatsoever regarding permits and licenses, which may be required by the Lessee. Should the Lessee fail to obtain any required permit and/or license, it shall remain bound to respect all of its obligations under the Lease.

6. UTILITIES

6.1 The Lessee shall be responsible for the cost of electricity and/or gas consumed in the Premises (electricity and/or gas shall include lighting, ventilation, heating, and air conditioning used in the Premises). The Lessee shall also be responsible for the cost of all other public utilities, including water and telephone, as well as all other expenses of any nature whatsoever with respect to the Lessee's operations or activities conducted in the Premises.

In the event that the Premises shall be metered separately, the Lessee shall pay the said cost of electricity and/or gas directly to Hydro Quebec and/or Gaz Métropolitain or any succeeding company. In the event that the Premises are not metered separately, the Lessee shall pay for its share of the said cost of electricity and/or gas, as established by the Lessor, acting reasonably.

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Lessee acknowledges and agrees that Lessor will, following notice to Lessee, terminate the provision of utilities to the Premises on, or any time after the date Lessee is required to assume liability therefore in accordance with the above noted paragraphs.

Lessor will transfer all meters (electrical and gas) in Lessee's name, for the entire Building. Lessor will shut down all electrical systems in the empty part of the Building, and gas will be kept at a minimum for the empty part of the Building during the heating season. Additionally, Lessor will install, at its cost, a curtain to divide the Premises from the remainder of the Building, in a form that will retain the heat in the Premises to the greatest extent possible. Further, in the event that a tenant leases any part of the Building, the Lessor shall ensure that the new tenant is provided with a separate meter in its own name for the recording of all utilities, such that the meter that is in the Lessee's name relates only to the Leased Premises.

- 6.2 ~~**Heating, Ventilation, Air-Conditioning.**~~ The Lessee must at all times heat, ventilate, and air-condition the Premises at a reasonable temperature; failing which, the Lessee must then repair any and all damages to all objects caused by water or ice; in which event, the Lessee shall be responsible for the total cost of the repair of any and all Damage, including incidental losses occurring to tenants of the same Building who suffered as a result thereof. The cost of the repairs shall include, without limitation, the removal of all debris found in the Premises as a result of the Damage or the repair of the Damage, as well as the restoring of the Premises in the same condition as they were prior to the Damage.

"Damage" shall ~~include~~ **mean all damages caused to Lessee's failure to heat, ventilate and air condition the Premises at a reasonable temperature, including**, without limitation: (a) all damage to all objects caused by water leaking into the Premises **due to such failure set out above;** (b) all damages to all objects caused by water, ice; frozen or burst pipes, hoses, connections or equipment **caused directly by the Lessee's failure set out above;** (c) all damages caused to pipes and toilets (bathrooms) **caused directly by the Lessee's failure set out above;** (d) all damages caused to walls, floors, ceilings and roofs **caused directly by the Lessee's failure set out above;** (e) all damages caused to the sprinklers, **which is caused directly by the Lessee's failure set out above;** (f) all damages caused to the radiators, and (g) all material **direct** losses sustained by other tenants of the Building ~~including loss of business~~ **caused directly by the Lessee's failure set out above.**

- 6.3 In the event of any Damage as described in Article 6.2 of the Lease, the Lessee must keep the Lessor exempt from all responsibility and indemnity resulting from all claims for losses or damages caused ~~by anything done or omitted by the Lessee, its agents, representatives or employees~~ **directly by the Damage.**

7. **MAINTENANCE AND REPAIRS**

Notwithstanding the provisions of Articles 1854 and 1864 of the Quebec Civil Code, the Lessee, at its own expense, shall operate, maintain and keep the Premises including all facilities, equipment and services, both inside and outside, available to the Lessee in the same good order

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and condition both inside and outside, as they would be kept by a careful owner and shall promptly make, at its costs, all needed repairs and replacements to the Premises which a careful owner would make, including without limitations, hot water tank, and broken glass (regardless of how it was broken), the lights and ballasts, the water, gas, drain and sewer connections, pipes and mains, electrical wiring, water closets, sinks and accessories thereof, the heating system, the ventilation system, the air-conditioning system, if any, and all equipment belonging to or connected with the Premises or used in its operation. In addition, the Lessee shall, at its costs, obtain and maintain a contract for extermination services (such as rat prevention and pest control) for the Premises. **The Lessee must forward to the Lessor a copy of any contracts obtained by the Lessee, at its costs.** Such contracts include, without limitations, maintenance contracts for the heating system, ~~the ventilation system, and the air-conditioning system,~~ and contracts for extermination services, **if necessary.**

Notwithstanding anything contained in the above paragraph, it is expressly agreed and the Lessee covenants that it must, throughout the Term and/or any renewal or extension thereof, as the case may be, be responsible for the maintenance and repairs to the H.V.A.C. system and shall enter in to a maintenance contract with an accredited company and the Lessee must remit a copy of said contract to the Lessor.

Furthermore, the Lessee shall pay its Proportionate Share of the cost of maintenance, repairs, replacements, and improvements to the Property and to the common areas of the Property. These costs are included in the Operating Expenses (as described in Article 3.5 of these presents).

In addition to the foregoing, Lessee shall be liable for any damage caused to the Property (whether of exclusive or common use to it), if such damage was caused by Lessee, Lessee's employees, **or agents (while in the ordinary course of employment or agency),** suppliers, co-contractors, or anyone else for whom in law Lessee is responsible. **Lessor shall be liable for any damage caused to eh Property (whether of exclusive or common use to it), if such damage was caused by Lessor, Lessor's employees or agents (while in the ordinary course of employment or agency), suppliers, co-contractors, or anyone else for whom in law Lessor is responsible.**

8. **ASSIGNMENT AND SUBLETTING**

The Lessee may not assign the Lease or sublet the Premises or any part thereof, without the prior written consent of the Lessor, which consent may not be unreasonably withheld.

Should the Lessee wish to assign the Lease or sublet the Premises or any part thereof, the Lessee must advise the Lessor in writing of its intention. The Lessor must then, in the thirty (30) days following the receipt of such notice, advise the Lessee in writing that it consents or does not consent to the proposed assignment or subletting ~~alternatively, the Lessor shall have the right to cancel the Lease in the said thirty (30) day period.~~ If no response is received within the said delay of thirty (30) days, the Lessee may assign the Lease or sublet the Premises or any part thereof, subject to the following provisions:

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The Lessee must furnish to the Lessor, at least five (5) days prior to the date on which the assignment or subletting shall take place, the name of the proposed assignee or sublessee.

- All outstanding arrears of rent, adjustments or invoicing must be paid and Lessee must not otherwise be in default of the Lease, immediately prior to Lessor giving its consent to the assignment or sublease.
- Notwithstanding any assignment or subletting, the Lessee shall remain solidarily responsible with the assignee or the sublessee for all the obligations (including the payment of all rent) under the terms of the Lease, waiving the benefit of division and discussion.
- The Lessee may, without the consent of the Lessor, assign the Lease or sublet the Premises or any part thereof to a parent, subsidiary or affiliate company, provided that the Lessee shall remain solidarily responsible with the assignee or the sublessee for all the obligations (including the payment of all rent) under the Lease, waiving the benefit of division and discussion, and provided that the Lessee shall advise the Lessor in writing of such assignment or subletting, and this, prior to the date that such assignment or subletting shall take place.

9. ODOURS, DUST, NOISE. AND PEACEABLE ENJOYMENT

The Lessee is bound to act in such a way as not to disturb the normal enjoyment of the other tenants.

The Lessee warrants that no **unreasonable** odours, dust, or noise shall emanate from the Premises as a result of the activities of the Lessee therein. Should such odours, dust, or noise exist, the Lessee must, at its cost, take the necessary steps in order to rectify the situation. The necessary steps may include expertise to establish corrective measures, as well as the installation of equipment. In such an event, the Lessee is bound to purchase and to install, at its cost, all equipment, and pay for all such expertise. The equipment must conform to municipal by-laws and regulations.

The Lessee is bound to commence the rectification of such a situation in the seven (7) days following **receipt of** the Lessor's written notice, and to complete such a rectification within a reasonable delay. ~~During the period of rectification Lessee must suspend its operations in the Premises, so as not to continue to disturb the normal enjoyment of the other tenants.~~ In the event that no rectification is effected in the said delay of seven (7) days, the Lessor may, at its sole discretion, take the necessary steps in order to carry out the rectification (the rectification shall include the cost of expertise as well as the purchase and the installation of the equipment described in the present Article). The Lessee must then, upon demand from the Lessor, repay to the Lessor, as additional rent, the total cost of the rectification. Should the Lessee fail to pay such costs, or in the event Lessor has not opted to carry out Lessee's remedial work, the Lessor may, without prejudice to any of the Lessor's other rights and recourses, declare the Lease null and void, cancelled, and no longer binding the Lessee and the Lessor.

In addition thereto, the Lessee shall be liable for all damage or inconvenience caused to other tenants of the Building and shall indemnify and hold Lessor harmless in this respect.

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~~Notwithstanding Article 1859 and 1861 of the Civil Code of Quebec, the Lessor shall not be liable toward the Lessee for damages suffered by the Lessee as a result of the fault of a third party or other tenant in the Building.~~

~~Furthermore, it is expressly agreed and understood that the Lessee shall not, under any circumstances, be permitted to keep animals, of any kind, in the Premises.~~

10. INSPECTION. REPAIR. AND IMPROVEMENTS

10.1 Right to Enter Premises

During the Term, the Lessor and its representatives shall have the right, at all reasonable times and from time to time, **upon 48 hours prior written notice**, to exhibit the Premises to any prospective purchaser or mortgagee, **provided that by so doing, the Lessor will use all reasonable efforts not to unreasonably interfere with the Lessee's business operations in the Premises.**

During the course of the six (6) months prior to the termination of the Lease, the Lessor shall have the right, at all reasonable times, to exhibit the Premises to any person interested in leasing same.

10.2 Inspection and Repairs

The Lessor and its representatives shall have the right, at all reasonable times and from time to time during the Term, to visit the Premises, to examine the state of the Premises, and to ascertain as to whether the Lessee is performing all of its obligations under the present Lease. The Lessee must make all the repairs that the Lessee is obliged to make in virtue of these presents.

If the Lessee fails to make any repairs within thirty (30) days following the Lessor's written request, provided that such repairs may reasonably be made within the stipulated delay, the Lessor may, without prejudice to any other rights or remedies it may have, make such repairs and charge the cost of these repairs to the Lessee.

No provision in the present Lease shall be construed to obligate the Lessor to make any repairs which the Lessee is responsible in virtue of these presents, but the Lessor shall have the right at all times to enter the Premises and to make emergency repairs, the whole without prior notice to the Lessee, and to charge the cost thereof to the Lessee.

All costs chargeable to the Lessee in virtue of these presents must be paid on demand as additional rental. Any unpaid amount shall bear interest at the annual rate of twenty-four percent (24%) as at the due date of payment.

10.3 Installations by the Lessor

The Lessor shall maintain the right to install and to maintain in the Premises and in the Building all that is reasonable, useful, or necessary for the equipment, the use, or the convenience of the Building or of the other tenants. The Lessee shall have no claim against the Lessor in this respect provided that same does not unduly interfere with the Lessee's enjoyment of the Premises.

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10.4 Lessor's Modifications to the Building

Notwithstanding anything to the contrary contained in the present Lease, the Lessor shall reserve the right, at all times and from time to time, to make modifications, additions, or extensions to the Building, as the Lessor, at its sole and total discretion, shall judge appropriate, and the Lessor may, without limiting the generality of the foregoing and without restriction, add floors, and/or change or modify the location, the dimensions and the specifications of pipes, wires, vents, mains, public utilities, mechanical systems, common areas, supports, beams, stairways, elevators, ramps, windows, openings, and other services of the Building (including services that may be included in the Premises). These modifications, additions, and extensions must be carried out with reasonable diligence and should not diminish the Lessee's enjoyment of the Premises. Should the Lessee lose the use of any part of the Premises during such modifications, additions, and extensions, and has otherwise paid and performed all of its obligations on a timely basis throughout the Term, then the Lessee shall be granted a rent reduction during the period and for the area of loss of use only, the whole, provided that the Lessee shall waive any other claims that it may have against the Lessor as a result of these modifications, additions, and extensions.

10.5 Improvements and Changes by the Lessee

The Lessee may not carry out or permit to carry out additions, improvements, and changes in the Premises (the **"Work in the Premises"**) without the prior written consent of the Lessor, which consent shall not be unreasonably withheld and which consent shall be subject to the following conditions:

- (i) The Lessee must furnish to the Lessor adequate plans, specifications, and estimates showing in reasonably complete detail the proposed work. The Lessor must then, within thirty (30) days following the receipt of the plans, specifications, and estimates, advise the Lessee in writing that it approves or does not approve the plans, specifications, and estimates, the whole subject to reasonable modification that may be requested by the Lessor. The Work in the Premises must be carried out in strict compliance with the plans, specifications, and estimates. The cost of the Work in the Premises shall be of the Lessee's entire responsibility and at its sole cost and at the Lessor's entire exoneration.
- (ii) The Lessee must obtain, at its expense, the necessary consents, permits, and other authorizations from the governmental and/or municipal authorities having jurisdiction with respect to the Work in the Premises.
- (iii) The Lessee must, at its cost, obtain and maintain a civil liability insurance covering all risks associated with the Work in the Premises. In this respect, the Lessee may either (a) obtain an "all risks" insurance covering such risks, or (b) include such risks in the insurance policies stipulated in Article 11 of the present Lease. Such insurance must: (a) contain a provision of joint interest between the Lessee and the Lessor, (b) designate the Lessor as the insured, and (c) stipulate that the insurer may only cancel the insurance within fifteen (15) days following a notice to this effect to the Lessor. The Lessee must furnish the Lessor with a certified copy of the insurance policy.
- (iv) The Lessee must, at its cost, obtain and maintain an insurance against work accidents

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covering all persons participating in the execution of the Work in the Premises. The Lessee must furnish the Lessor with a certified copy of the insurance policy.

- (v) The value of the Premises shall not as a result of the Work in the Premises be less than the value of the Premises prior to the commencement of the Work in the Premises, and the Lessor shall be the sole judge of such value.
- (vi) The Work in the Premises must be completed within a reasonable delay, in a professional manner, and in accordance with permits, authorizations, regulations, and requirements of competent authorities having jurisdiction with respect to the Premises.
- (vii) The Lessee must furnish to the Lessor a statement to the effect that no builders', contractors', or workers' privileges, liens, legal hypothecs or other charges or privileges or liens are registered against the Premises or the Property with respect to the work carried out or to the services or materials furnished in the execution of the Work in the Premises and that all invoices for work, services, and materials furnished in the Work in the Premises have been paid in full.
- (viii) The Lessee must require that each architect, engineer, supplier of materials, worker, contractor or subcontractor furnish in due form to the Lessor a notice of waiver or of receipt, release and discharge for all legal hypothecs, charges, liens and privileges in favour of all persons who participated in the Work in the Premises that may consequently exist or subsequently exist with respect to the work or the labour or the materials furnished or to be furnished in virtue of all contracts or subcontracts.

If such legal hypothecs, charges, or privileges are registered against the Premises or the Building, the Lessee must, within five (5) days following a notice to this effect, cause the legal hypothecs, charges, liens or privileges to be immediately cancelled to the satisfaction of the Lessor. Should the Lessee fail to have the legal hypothecs, charges, privileges or liens cancelled within the said delay of five (5) days, the Lessor, without limiting its other rights or recourses, may, but shall not be obligated to, cancel the said legal hypothecs, charges, privileges or liens by paying the claimed amount plus all necessary fees. The Lessee must then repay the Lessor, upon demand, as Additional Rent, the amount paid by the Lessor, plus all expenses and fees, including any legal fees that are incurred by the Lessor.

- (ix) If the cost of the Work in the Premises shall be in excess of five thousand dollars (\$5,000.00), the Lessee must, upon demand by the Lessor, furnish a guarantee, and in this guarantee, the Lessee must guarantee: (a) the completion of the Work in the Premises, (b) the payment of all of the invoices for work, services and materials furnished in the Work in the Premises; and (c) that no builders', contractors', or workers' privileges, liens or other charges or privileges are registered against the Premises or the Property with respect to the work carried out or to the services or materials furnished in the execution of the Work in the Premises.
- (x) The Lessee may not, without the written consent of the Lessor, remove the Work in the Premises.

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Notwithstanding the foregoing, at the termination of the Lease, the Lessee must, if required by the Lessor, remove, at the Lessee's own costs, the Work in the Premises.

- (xi) Notwithstanding any other provisions of the present Lease, the Lessor shall not assume any responsibility with respect to any damages or defects resulting, directly or indirectly, with the Work in the Premises. The Lessee shall have no right to any compensation, reduction, suspension, or discount in rent, and it shall not be relieved of any of its obligations in virtue of these presents. It is understood that the Work in the Premises, when completed, shall form part of the Premises and shall be subject to the provisions of this Lease.

11. **INSURANCE**

11.1 **Lessor's Insurance**

The Lessor shall, at its costs, procure and maintain, at all times during the continuance of this Lease, insurance for the Property and its improvements and equipment. ~~on the same terms and conditions and for amounts that a diligent Lessor would maintain.~~ The Lessor's insurance shall be as follows:

- (i) All risks insurance, extended coverage, covering fire risks.
- (ii) Malicious damage insurance.
- (iii) Rental income insurance.
- (iv) Boiler and pressure vessels insurance, including repair and replacement.
- (v) Such other insurance as lending institutions may require; or such other insurance that may be customary for owners of commercial properties to carry with respect to loss of or damage to the Property, or liability arising therefrom, including any insurance that may be required as a result of the Lessee, its sublessees, or assignees introducing any radioactive materials into the Premises.

The Lessee must pay any increase in insurance premiums (over and above the escalations referred to in Article 3.2B), if such increase is caused by the Lessee's operations in the Premises.

The Lessee must not commit any act or tolerate any act that may cancel or risk the cancellation of any insurance on the Property or any part thereof.

11.2 **Lessee's Insurance**

The Lessee shall, at its expense, procure and maintain at all times during the continuance of the Lease, such insurance as will protect the Lessee and the Lessor from any claim for personal injury including death, and for property damage in any way arising out of or attributable to the exercise by the Lessee, or others, of any of the privileges or rights herein granted. This insurance

shall provide a combined limit of two million dollars (\$2,000,000.00) for personal injury and property damage and shall extend to cover any liability assumed by the Lessee under the Lease.

In addition, the Lessee shall, at its costs, procure and maintain, at all times during the continuance of this Lease, glass and plate-glass insurance, which insurance shall cover the repair and the replacement thereof, as well as insurance covering all damage to the Building, Property or Premises caused by vandalism, theft or other criminal activity.

The Lessee shall forward to the Lessor a certificate of insurance and evidence of renewals thereof during the continuance of the Lease. The Lessee hereby agrees and understands that the placing of such insurance shall in no way relieve the Lessee from any obligation assumed under the Lease.

11.3 **Forced Entry into the Premises**

In the event of a forced entry into the Premises, the Lessee must carry out or arrange to carry out, at its costs, all needed repairs and replacements to the Property (including, without limitation, all repairs and replacements to the windows, the walls, and the roofs). The Lessee must carry out all repairs and replacements within the seventy-two (72) hours following such an incident. If the repairs and the replacements are not carried out within the said delay of seventy-two (72) hours, the Lessor may, at its sole discretion, carry out the repairs and the replacements. The Lessee must immediately repay the Lessor the cost of the repairs and the replacements, plus an administration fee of fifteen percent (15%).

11.4 **Damage or Destruction**

If part of or all of the Premises are damaged or destroyed by fire, lightning, tempest or any other perils insured against in virtue of the insurance policies stipulated in Article 11 of these presents, then:

- (a) if the damage or the destruction is such that the Premises are rendered wholly unfit for occupancy or it is impossible or unsafe to use or occupy them, and if in either event, the damages cannot be repaired with reasonable diligence within one hundred and eighty (180) days following such damage or destruction, the Lessor **or Lessee** may, within the five (5) days following such damage or destruction, cancel the present Lease by way of written notice to the ~~Lessee~~ **other**; in which event, the Lease shall terminate on the day of such damage or destruction, and the rent and all other sums for which the Lessee is responsible under the terms of the Lease must be calculated and paid in full to the date of the damage or the destruction. In the event that the Lessor **and Lessee** decides not to cancel the Lease, the Lessor must repair the damages or destruction within a reasonable delay, and in which event, the rent shall be abated from the date of the damages or the destruction until the date that the Premises are repaired in such a manner as to enable the Lessee to use and occupy them, plus an additional period of up to thirty (30) days to permit the Lessee to refixture the Premises;
- (b) if the damage is such that the Premises are rendered wholly unfit for occupancy or it is impossible or unsafe to use or occupy them, but if in either event, the damages may be repaired by the Lessor with reasonable diligence within one hundred and eighty (180) days following such damage, the rent shall be abated from the date of the damages until

the date that the Premises are repaired in such a manner as to enable the Lessee to use and occupy them, plus an additional period of up to thirty (30) days to permit the Lessee to refixture the Premises;

- (c) if, in the foregoing events, the damage or the destruction is such that the Premises may be partially used for the purposes designated by the present Lease, then, until such damage or destruction is repaired by the Lessor, the rent shall be abated in the proportion that part of the Premises unfit for occupancy bears to the whole of the Premises, and this, from the date of the damages or destruction until the date that the said part of the Premises are repaired in such a manner as to enable the Lessee to use and occupy them, plus an additional period of up to thirty (30) days to permit the Lessee to refixture the Premises.

~~Notwithstanding the foregoing, if the Premises and/or the Buildings are totally destroyed, the Lessor may relocate the Lessee in comparable space in the vicinity of the Building within a reasonable time period and within the delays mentioned in the present Article. The relocation shall not affect the other terms and conditions of the present Lease.~~

12. DESERTION AND SURRENDER

The Lessee shall not leave the Premises unoccupied or vacant (and surrender of the keys shall not be necessary in order that the Premises may be deemed unoccupied or vacant) during the Term, and acceptance of the surrender of this Lease shall not be effective unless made in writing and signed by the Lessor. ~~Notwithstanding the above paragraph as well as provisions contained in Article 4 of this present Lease, in the case where the lessee shall leave the Premises unoccupied or vacant for a period exceeding thirty (30) days, the Lessee must then provide the Lessor with an additional guarantee equivalent to six (6) months of Base Gross Rent plus all additional rent, as the case may be, and applicable taxes.~~

13. EXPIRATION OF THE LEASE

The Lessee shall, on or prior to the expiration or sooner termination of the Lease, peaceably surrender unto the Lessor the Premises, including the constructions, modifications, and improvements that have been made at anytime during the Term, in good repair and condition, subject to any wear and tear. ("Wear and Tear" shall exclude any damage caused to the carpets, and this, if such damage results from the fact that the Lessee neglected to place a protective covering under the caster chairs).

If the Lessee fails to respect its obligations at the expiration or sooner termination of the Lease, the Lessor may clean and repair the Premises and may invoice the cost of same to the Lessee, and upon receipt of the invoice, the Lessee must pay to the Lessor the amount of the invoice, plus a 15% administration fee. No prior notice to the Lessee is necessary prior to carrying out any cleaning and repairs to the Premises.

Notwithstanding the foregoing provisions, on or prior to the expiration or sooner termination of the Lease, the Lessee shall, upon request by the Lessor, remove all or specified constructions, modifications, and improvements in the Premises (except for those constructions, modifications,

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and improvements that the Lessor permits the Lessee to leave in the Premises), and the Lessee shall be bound to restore the Premises to their original condition, subject to any Wear and Tear. If the Lessee is not obligated to remove all or part of the constructions, modifications, and improvements, the Lessor shall retain them without any compensation to the Lessee.

The Lessee must, at or prior to the expiration or sooner termination of the Lease, return to the Lessor all keys to the Premises and leave the Premises free of all moveable effects that belong to the Lessee or that have been placed in the Premises by the Lessee, in default whereof, Lessee does hereby authorize the Lessor to sell, use, destroy or otherwise dispose of any remaining moveable effects, as Lessor sees fit, the whole without compensation to, or claim from Lessee. In addition thereto, Lessee shall be held responsible for (a) over hold rental or interim storage costs, (b) costs associated with removal and disposal of its moveable effects and (c) any damage caused to the Premises by the removal of the moveable effects.

14. LESSEE'S COMPLIANCE WITH THE LAW

- 14.1 The Lessee must, at all times and at its own costs, comply with laws, regulations, ordinances, and other orders of all competent governmental or quasi governmental authorities with respect to the Premises, to the use of the Premises by the Lessee, to the Lessee's activities in the Premises, to the removal of any encroaching object placed by the Lessee, to the execution of work in the Premises or relating thereto, including without limitation, any change or addition to any structure in or connected to the Premises, whether or not such change or addition be structural or be required for the Lessee's use of all or of part of the Premises, or in general, to the condition, to the maintenance, and to the use or the occupation of the Premises.
- 14.2 The Lessee must, at all times without delay and at its own costs, comply with all requirements, decisions, and regulations of the Technical Association of Insurers (Groupement technique des assureurs), of the Canadian Fire Underwriter's Association (or their successors), or of any other Canadian organization having similar functions or of any insurer, with respect to the Premises or the Property.

15. FAILURE OF LESSEE TO PERFORM

The Lessor, without limiting its other rights or recourses, may, but shall not be obligated to, fulfil all and each of the obligations for which the Lessee may be responsible in virtue of the present Lease and for which the Lessee may be in **incurred** default, for the account and at the expense of the Lessee, and all amounts of money spent by the Lessor in this respect plus interest at the annual rate of twenty-four percent (24%) as at the date of the spending of such amounts of money shall be considered as additional rent and must be paid by the Lessee upon demand by the Lessor.

Moreover, the Lessor may, prior to paying all sums due by the Lessee in virtue of these presents, demand the payment of such sums from the Lessee (including, without restriction, interest, expenses, and costs in this respect).

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16. OUTSTANDING SUMS

If the Lessee is in default of paying to the Lessor, when due, the Base Gross Rent, the additional rent and all other sums due in virtue of the Lease, ~~and such default shall continue for more than three (3) days after written notice of such default shall have been given from the Lessor to the Lessee~~, or if cheques representing the Base Gross Rent, the additional rent, or all other sums due in virtue of the Lease are returned by the bank or financial institution (insufficient funds, stop payment, etc...). ~~other than the amounts due in virtue of these presents~~, **and such default shall continue for more than five (5) days after written notice of such default shall have been given from the Lessor to the Lessee**, the Lessor may recover from the Lessee, as additional rent, (1) an administration fee equal to fifteen percent (15%), and (2) legal costs incurred by the Lessor. The Lessor may also obtain damages from the Lessee.

Any unpaid amount, namely the Base Gross Rent, the additional rent and all other sums due in virtue of the Lease, shall bear interest at the annual rate of twenty-four percent (24%) as at the due date of payment.

17. FURNISH STATEMENT

The Lessee must, from time to time, at the request of the Lessor, produce to the Lessor satisfactory evidence of the due payment by the Lessee of all payments required to be made by the Lessee in virtue of the Lease.

18. LESSEE'S DEFAULT

Each of the following events shall constitute a default under the Lease:

- (a) In the event that the Lessee shall be in default of paying to the Lessor the Base Gross Rent, the additional rent, or any other sums that are payable in virtue of the Lease, ~~and such default shall continue for three (3) days after the due date as established by this Lease~~ **written notice of such default shall have been given from Lessor to the Lessee;**
- (b) In the event that the Lessee shall be adjudicated a bankrupt or make any general assignment of its property for the benefit of its creditors, or take or attempt to take the benefit of any insolvency or bankruptcy act; or if a receiver or trustee be appointed to administer the property of the Lessee, in whole or in part, or any execution be issued pursuant to a judgment rendered against the Lessee or pursuant to the Lease, or if in virtue of the law, the estate of the Lessee be devolved upon any other person or corporation; or
- (c) In the event that the Lessee shall be in default in observing any covenant contained in these presents and/or performing its obligations contained in the Lease (other than a default in the payment of the Base Gross Rent, the additional rent, or any other sums) or should any prior claim or legal hypothec be registered against the Premises as a result of an act or an omission on the part of the Lessee, or should the Lessee or any other person at any time during the Term remove or try to remove, without the prior written consent of the Lessor, any of the moveable property located in the Premises (except during the ordinary course of its activities or when replacement or repair work is being carried out);

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and should any such defaults continue for fifteen (15) days after written notice of such defaults shall have been given to the Lessee by the Lessor, unless such default is incapable of being remedied within such period of fifteen (15) days, in which case the Lessee shall be entitled to such reasonable extension of time to enable such defaults to be remedied.

In the event of any default under the Lease, the Lessor, without limiting any rights or remedies it may have hereunder or by law, may, upon simple written notice to the Lessee, immediately terminate this Lease. Upon such termination, the Lessee must immediately vacate the Premises and surrender the Premises to the Lessor. The Lessor and its representatives may, whether by summary dispossession proceeding or by any other action or proceeding at law, immediately or at any time after the termination, enter the Premises and dispossess the Lessee and all persons in the Premises, and remove all property located in the Premises. The exercise by the Lessor of any right it may have hereunder or by law shall not preclude the exercise by the Lessor of any other right it may have hereunder or by law.

The Lessor may, at the termination of the Lease following any default under the Lease or at the absence of such termination where the Lessee is dispossessed by or at the instance of the Lessor in any lawful manner, legally recover from the Lessee rent for the then current month and for the next ~~six (6)~~ **three (3)** months, the whole to immediately become due and payable, and the Lessor may, at its sole discretion, immediately declare the Lease forfeited and terminated, and the Lessor may, without notice or any other legal process, enter the Premises, take possession of the Premises, and remove the property located in the Premises, the whole without prejudice to and under reserve of all of the rights and recourses of the Lessor to claim any and all losses and damages sustained by the Lessor by reason of and arising from any default of the Lessee.

19. SIGNS

19.1 Lessor

The Lessor shall have the right at all times during the Term to place upon the Property a notice of reasonable dimensions and reasonably placed so as not to interfere with the business of the Lessee, stating that the Property is for sale and that there is empty space, if any, available in the Property for leasing purposes; in addition, during the six (6) months prior to the expiration of the Lease, the Lessor shall have the right to place upon the Premises a similar notice indicating that the Premises are for rent. The Lessee must not remove such notices or permit same to be removed.

19.2 Lessee

The Lessee shall have the right to install on the Premises such signs as are normally installed in connection with its business, provided such signs are box signs, and comply with municipal by-laws and are approved by the Lessor, **acting reasonably**, in writing, prior to any sign installation, which approval may be refused without a valid cause on any Building classified by Lessor as an office building. The Lessee must deposit with Lessor such sums as Lessor deems appropriate, having regard to the size of the proposed sign, and the exterior façade of the Building, in order to guarantee Lessee's removal and repair obligations in respect thereof, and

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Lessee must pay for the installation of any sign that is approved by the Lessor. The Lessee, at its own cost, must maintain any sign installed by the Lessee. At the expiration of the Lease, the Lessee must, upon request by the Lessor, remove, at its own cost, any sign installed by the Lessee, and must immediately repair, at its

own cost, all damages caused by such removal.

Lessor may, in addition to its default remedies contained elsewhere in this Lease, remove signs affixed on the Building or property without Lessor's authorization, and Lessee agrees that Lessor shall not be responsible for the cost of removal of such signs, or any damage, inconvenience or loss whatsoever occasioned thereby. Accordingly, Lessee hereby releases Lessor of all liabilities of whatsoever nature with respect thereto.

20. **ENVIRONMENT**

The Lessee hereby declares and agrees:

- (a) that all the activities carried on in the Premises by the Lessee conform and shall conform to all laws concerning the environment;
- (b) that the property installed in the Premises by the Lessee is free and shall remain free of any contamination or damage to the environment;
- (c) that no complaint, investigation, or proceedings have been taken or shall be taken relating to the activities of the Lessee in the Premises;
- (d) that the Lessee shall undertake to inform the Lessor of any problems that occur in the Premises relating to the environment;
- (e) that the Lessee shall remit to the Lessor a copy of all notices, regulations, permits, requests, reports, and other communications that are received from any government or official for the environment and that relate to the environment.

The Lessee shall undertake to indemnify the Lessor from all damages, expenses, fees and losses that the Lessor may sustain, including all convictions, civil or criminal, that may be declared against the Lessor, by reason of complaints, investigations, or proceedings relating to acts or omissions committed by the Lessee in environmental matters **which are caused by the Lessee.**

The Lessor shall undertake to indemnify the Lessee from all damages, expenses, fees and losses that the Lessee may sustain, including all convictions, civil or criminal, that may be declared against the Lessee, by reason of complaints, investigations, or proceedings relating to acts or omissions committed by the Lessor in environmental matters which are caused by the Lessor.

21. **HYPOTHECATION AND SUBORDINATION**

The Lessor, by these presents, declares that it may transfer its rights under the present Lease to a lending institution as collateral security for a loan to the Lessor, and in the event that such transfer is given and executed by the Lessor and that notification thereof is given to the Lessee by and on behalf of the Lessor, it is expressly agreed between the Lessor and the Lessee that the

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present Lease shall not be cancelled or modified for any reason whatsoever, save and except if stipulated, proposed, or permitted under the terms of the present Lease or by law, without the written consent of such lending institution. If the Lessor transfers all or part of its interest in the Building, property or this Lease, the Lessor, without further written agreement shall be relieved of all liability under the covenants and obligations arising from this Lease.

The Lessee, by these presents, agrees and undertakes, if reasonably required by the Lessor, to become a party to any documents or contracts permitting a hypothec or a trust deed to be placed on the Property or any part thereof, of which the Property or any part thereof is part of a security given for any indebtedness covered by the said trust deed or hypothec and subordinating the present Lease to the said trust deed or hypothec.

However, no subordination by the Lessor shall have the effect of permitting the holder of any trust deed or hypothec to disturb the Lessee's enjoyment of the Premises so long as the Lessee shall comply with its obligations under the Lease.

Any documents or contracts that must be signed by the Lessee and that are described in this present Article shall include, without limitation, estoppel certificates. In the case of the estoppel certificates, it is agreed that the Lessee must sign and return such certificates to the Lessor within five (5) days following the receipt of same.

22. **CONDITION OF THE PREMISES**

The Lessee represents that it has examined the Premises, as well as all entrances, shipping doors and pertinent equipment, and all moveable effects and accessories which may have been left in the Premises by any previous occupant, and declares that it is satisfied with same and that it accepts same on an "as is" basis, without warranty by the Lessor as to its state, condition or ability to function, subject only to the leasehold improvements outlined in Article **41.1** of the present Lease (the "**Leasehold Improvements**").

All telephone, computer jacks, window coverings, or other improvements or modifications left in the Premises by the previous lessee may, at Lessor's sole discretion, be removed by the Lessor or may be left in the Premises, without warranty by the Lessor as to their ability to function.

23. **SCHEDULES**

The Schedules attached hereto form an integral part of the Lease.

24. **WAIVER**

The failure of the Lessor to insist upon the performance of any of the terms and conditions of the Lease shall not be deemed a waiver of any rights or remedies that the Lessor may have and shall not be deemed a waiver, breach, or default in any such terms and conditions.

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25. **NOTICES AND DEMANDS**

All notices, demands, motions or other legal documents that are required or that may be required in virtue of the present Lease, must be delivered by hand, or be sent by facsimile and/or registered mail, and must be addressed as follows:

(a) **To the Lessor:**
333 Decarie Blvd., 5th Floor
St-Laurent, Quebec H4N 3M9

Facsimile: (514) 344-8027

(b) **To the Lessee:**
~~at the Premise»~~
5625 Pare
Town of Mount-Royal, Quebec H4P 1S1
Attention: Mr. Howard Tafler
Facsimile: (514) 739-0200

or to any other address in Canada as shall be designated by the parties in writing.

Either party may, at any time, advise the other party of a change in address, and after such notice, the newly indicated address shall be known as the address where all notices must be sent in virtue of these presents.

26. INTERPRETATION

26.1 The present Lease must be interpreted in accordance with the laws of Canada and of the Province of Quebec. Notwithstanding the location of the Premises or the site at which this Lease may have been concluded, the parties hereto elect domicile in the district of Montreal for the purposes of all legal proceedings.

Should any of the provisions of the present Lease be declared invalid, unenforceable, or illegal, then such provision:

- (a) shall be considered nonessential and severable from the present Lease; and
- (b) all other provisions of the Lease shall continue to be applicable and enforceable with respect to all persons and circumstances as though the said provision had never been included.

26.2 Headings

The headings of the Articles are inserted in this Lease only for the purposes of convenience and do not constitute an integral part of this Lease.

26.3 For interpretation purposes of the present Lease, it is agreed that:

- (a) the singular shall include the plural and vice versa;

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- (b) the masculine shall include the feminine and vice versa when the sense of the word shall require same;
- (c) the word “persons” shall include corporations;
- (d) the words “Lessor” and “Lessee”, each time that they are mentioned in the present Lease, must mean respectively “Lessor, its executors, administrators, successors or beneficiaries, and “Lessee, its executors, administrators, successors or beneficiaries;
- (e) if there is more than one Lessee or Lessor, all are solidarily responsible for all the obligations in virtue of the present Lease;
- (f) if the Lessee or the Lessor is a female person or a corporation, the present Lease must be interpreted and read with all grammatical changes appropriated by reason thereof, and all covenants, responsibilities, and obligations must be joint and several.

27. LEASE PUBLICATION

The Lease may be published by summary only. A draft of the Lease summary must be submitted to the Lessor for its approval, which approval must not be unreasonably withheld. It is understood that the Lease summary must not contain any financial provisions of the Lease. The Lessee shall assume the costs of the publication of the Lease summary, and shall, at its expense, provide the Lessor with copies of the published Lease summary.

In addition, the Lessee shall, at its own cost, within thirty (30) days following the expiration or sooner termination of the Lease, radiate the published Lease summary from the Land Register, and this at the Lessee’s entire responsibility.

28. EXPROPRIATION

In the event of expropriation or taking into possession of all or part of the Premises by any government, agency, or public service, if the Premises may be partially used for the purposes designated by the present Lease, then in such event, the rent and all the other sums for which the Lessee is responsible under the terms of the Lease must be abated in the proportion that the part of the Premises rendered unusable bears to the total rentable area of the Premises, and this, from the date of the expropriation or the taking into possession and for the period of expropriation or taking into possession ~~the whole, provided that the Lessee shall waive all claims and all other rights that it may have against the Lessor as a result of the expropriation or the taking into possession of all or part of the Premises.~~

29. RULES AND REGULATIONS

The Lessor may, from time to time throughout the Term hereof, at its option, make reasonable rules and regulations with respect to the Property, to the Premises, and to other premises in the Property. The Lessee must respect and comply with these rules and regulations. These rules and regulations shall form part of the Lease and must respect the terms, conditions and obligations of the Lease. The Lessor shall not be liable towards the Lessee for any damages sustained by the

Lessee by reason of any tenant's fault to comply with the rules and regulations. In addition, the Lessor shall not be obliged, in any way, to enforce such rules and regulations upon the other tenants of the Property.

All windows must be covered with commercially acceptable blinds.

30. **PRE-AUTHORIZED RENTAL DEBIT PAYMENT**

The Lessee expressly and irrevocably covenants and agrees that it shall pay, to the Lessor, or to its nominee, its Base Gross Rent and Escalations, and any other monies outstanding and due, by pre-authorized electronic debit payment (the **"Pre-Authorized Debit"**) from the Lessee's bank account. The Lessee shall remit to the Lessor, at the date of signature of this present Lease by the Lessee, a specimen of cheque from a recognized financial institution, failing which Lessee authorizes Lessor to debit the account currently used by Lessee. Lessee further agrees to execute Schedule "B" attached hereto to give effect to the present clause.

31. **MOVEABLE HYPOTHEC**

The Lessee hereby grants to the Lessor as security for the payment of rental and of all other sums for which the Lessee is responsible whether or not under the terms of the Lease and the complete fulfilment of all of the Lessee's obligations, a ~~first~~ **second** ranking moveable hypothec, **after any recognized financial institution**, on the universality of all movables located in the Premises and belonging to the Lessee, for an amount equivalent to ~~one (1) year~~ **six (6) months** of Rent or **Seventy-two Thousand Three Hundred and Fifty Dollars (\$72,350.00)**. All related costs for such preparation, registration and proceeding instituted in consequence or reliance thereof shall be borne entirely by the Lessee. **The Lessor hereby agrees that it shall cede rank in favour of any recognized financial institution.**

32. **COMPENSATION, CLAIMS AND SET-OFF**

The Lessee hereby waives and renounces any and all existing and future claims, set-off and compensation against any rent or other amounts due hereunder and agrees to pay such rent and other amounts regardless of any claim, set-off or compensation which may be asserted by the Lessee or on its behalf.

No acceptance of payment by Lessee, of an amount less than the full amount payable to Lessor, and no direction or other written instruction respecting any payment by Lessee shall be deemed to constitute full or final payment of any obligation of the Lessee. Lessor may at its sole discretion, impute payments made by the Lessee to any debt owing by Lessee hereunder or as a result of a separate agreement for payment of Leasehold Improvements or the Work carried out by Lessor at Lessee's expense, and this whether or not the Lessee has specified that payment be applied in a particular way.

33. **LEASE ENTIRE AGREEMENT**

The Lease shall constitute a binding agreement between the Lessee and the Lessor. The Lessee acknowledges that there are no representations made by the Lessor which are not set out in this

Lease. The Lessee further acknowledges that this Lease constitutes the entire agreement between the Lessee and the Lessor and that the provisions contained in the Lease may not be modified, unless same is done in writing and duly signed by the Lessor and the Lessee.

34. **OUTSIDE AREAS & PARKING**

The exterior parking areas, the loading areas, or any other exterior areas of the Property may only be used for the following purposes: daytime parking, if available, garbage removal, shipping/receiving, the whole, in the areas designated by the Lessor. The Lessor shall not be responsible for, nor guarantee the said areas, nor police same.

Furthermore, Lessee acknowledges that Lessor may, in the interest of ensuring free access and egress to the parking areas, as well enforcing reserved parking areas, engage a towing service to remove vehicles parked without Lessor's authorization on the Property, and Lessee agrees that Lessor shall not be responsible for the cost of removal of such vehicles, or any damage, inconvenience or loss whatsoever occasioned thereby. Accordingly, Lessee hereby releases Lessor of all liabilities of whatsoever nature with respect thereto.

35. **INDEMNIFICATION**

Save and except in the case of deliberate or willful gross negligence, on the part of the Lessor or its employees, the Lessor shall not be liable nor responsible in any way whatsoever for any injury of any nature whatsoever that may be suffered or sustained by the Lessee, its employees, its representatives, its clients, or any other person who may be upon the Premises or for any loss, theft, damage or destruction to any property belonging to the Lessee or to its employees, or to any other person while such property is in the Premises, and in particular (but without limiting the generality of the foregoing), the Lessor shall not be responsible for any damage of any nature whatsoever to any such property caused by the failure by reason of a breakdown or other cause to supply adequate drainage, snow or ice removal, or by reason of the interruption of any public utility or service, or in the event of steam, water, rain, or snow which may leak into, issue or flow from any part of the Building or from the water, steam, sprinkler, or drainage pipes or plumbing works of the Building, or from any other place or quarter, or for any damage caused by anything done or omitted by any tenant. The Lessee shall not be entitled to any abatement of rental in respect of any such condition, failure or interruption of service.

The Lessee will indemnify and save harmless the Lessor from all fines, liability, damage suits, claims, demands and actions of any kind or nature which the Lessor shall or may become liable for or suffer by reason of the following: (a) any default or nonperformance by the Lessee of any covenant of law or of the Lease; or (b) any injury (including death resulting therefrom) caused to any person, including the Lessor, or to the Property by reason of any default or non-performance or of any fault or wrongful act on the part of the Lessee, its employees **while in the ordinary course of employment**), or its representatives.

36. **FORCE MAJEURE**

With the exception of the payment of rent and additional rents, the Lessor and the Lessee shall not be responsible for any default or delay to perform any of the obligations under the terms of

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these presents, or for any damages to the other party, if the default, delay, or the damage is caused by an act of superior force or force majeure.

37. **CERTIFICATE OF INCORPORATION AND ARTICLES OF INCORPORATION**

The Lessee must, prior to the acceptance of this Lease, provide the Lessor with a Certificate of Incorporation and Articles of Incorporation for the Lessee's corporation in the Premises.

38. **COST OF PREPARATION OF LEASE**

39. **BROKERAGE COMMISSION**

The Lessee declares and confirms, by these presents, that no broker or agent was involved in the present transaction.

Consequently, the Lessee guarantees that no commissions or charges are payable to any broker or agent with respect to the present transaction. The Lessee shall indemnify and hold the Lessor harmless from any and all claims for commissions or charges.

40. **SIGNATURE AND DELIVERY**

The Lease and the documents relating thereto shall not constitute a binding agreement between the Lessee and the Lessor until such time as the Lease and the documents relating thereto are signed and delivered by the Lessee and the Lessor.

41. **SPECIAL CONDITIONS**

41.1 **Leasehold Improvements**

The Lessor shall, at its cost, perform the following Leasehold Improvements in the Premises:

- Verify that all the mechanical and electrical systems are in good working order;
- Verify that the garage doors and levellers are in good working order;

All of the above leasehold improvements shall be built in accordance with the Lessor's standards and based on the Lessee's plans, which plans shall be subject to Lessor's acceptance and reasonable modification.

It is expressly understood between the parties that the Lessor shall not execute any other work nor leasehold improvements to or in the Premises; any and all other work or leasehold improvements shall have to be executed by the Lessee at its costs, including but not limited to provisions contained in **Article 10.5** of the present Lease.

41.2 **Deposit**

Upon signature of the present Lease by the Lessee, the Lessee must deposit a certified cheque in the amount of **Thirteen Thousand Six Hundred Ten Dollars and Eighty-four Cent**

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(\$13,610.84), including the G.S.T. and Q.S.T., representing the Base Gross Rent for the **First (1st)** month of the Term (the **"Deposit"**).

41.3 **Security Deposit**

Upon signature of this Lease by the Lessee, the Lessee must provide the Lessor with a security deposit in the amount of **Ten Thousand Dollars (\$10,000.00)** including G.S.T. and Q.S.T., (the **"Security Deposit"**). The Security Deposit is payable by certified cheque.

The Lessor shall hold the Security Deposit as security for the complete fulfilment of all of the Lessee's obligations under the Lease. If at anytime during the Term, an amount for which the Lessee is responsible in virtue of the Lease is not paid when due, the Lessor may, at its option and total discretion, in addition to its other rights or remedies in virtue of the Lease or by law, take and apply the Security Deposit or any part thereof towards the amount or any part of the amount for which the Lessee is responsible, including expenses in this respect, the whole without prejudice to its other rights or remedies in virtue of the Lease or by law. In such event, the Lessee must, within five (5) days following the Lessor's written demand, remit to the Lessor the necessary amount that will restore the Security Deposit to the amount initially deposited.

If the Security Deposit or any part thereof is less than the amount or any part of the amount for which the Lessee is responsible in virtue of the Lease, the Lessee must pay any difference and must indemnify and save harmless the Lessor from all responsibility in this respect. However, the Lessor may, at its option and total discretion and without prejudice to its other rights or remedies in virtue of the Lease or by law, pay the amount or any part of the amount that exceeds the Security Deposit or any part thereof, and in such event, the Lessee must reimburse the Lessor any excess, including expenses in this respect, within five (5) days following the Lessor's written demand.

If the Lessee is not in default at the expiration of the Term, and if the Premises are surrendered to the Lessor in accordance with the Lease, the Security Deposit or any part thereof still remaining shall be returned to the Lessee within ~~thirty (30)~~ **five (5)** days following the expiration of the Term.

If the Premises are not surrendered to the Lessor in accordance with the Lease, and if the Lessor must clean and/or repair the Premises or remove Lessee's signage and repair the Building in consequence thereof, at the expiration of the Term, the Lessor may, at its option and total discretion, in addition to its other rights or remedies in virtue of the Lease or by law, take and apply the Security Deposit or any part thereof still remaining towards any expenses incurred by the Lessor for the cleaning and/or the repairing of the Premises. If the Security Deposit or any part thereof still remaining is less than the expenses incurred by the Lessor for the cleaning and/or the repairing of the Premises, the Lessee must pay to the Lessor any difference within five (5) days following the Lessor's written demand.

In the event of the early termination or cancellation of this Lease or any extension or renewal thereof prior to the contractual termination date by either the Lessee or the Lessor and/or any third party, then any prepaid rent or sums remitted to the Lessor as security shall become the sole

property of the Lessor without prejudice to the Lessor's claim for accelerated rent or damages or other sums due.

Any and all references to: expenses incurred by the Lessor, in this present article and/or anywhere else in the Lease shall be interpreted as follows: **"Expenses incurred by the Lessor"** include, without restriction, the sums spent by the Lessor for the cleaning and/or the repairing of the Premises, the expenses in this respect, as well as an administration fee equal to fifteen percent (15%).

41.4 **Right of First Refusal**

Provided that the Lessee has not been in default of any of its obligations, at any time during the Term, the Lessee shall have, throughout the Term as the case may be, a right of first refusal to lease any adjacent space to the Premises that may be coveted by a third party (the **"Right of First Refusal"**).

In any event that the Lessor receives an acceptable offer to lease such space in the Building from a third party, the Lessor shall use reasonable efforts to grant advance notice to the Lessee and will immediately forward a copy of any such third party offer to the Lessee, save and except for any references made to the third party's name and address. The Lessee shall then have ~~three (3)~~ **ten (10)** business days from the date any such offer was received to exercise its Right of First Refusal to lease any such space, the whole based on the same rental rate, terms and conditions contained in the third party's offer. In order to exercise its Right of First Refusal the Lessee shall notify the Lessor in writing of its intention with regards to any such offer within the aforementioned delay, namely within ~~three (3)~~ **ten (10)** business days from the date any such third party's offer was received by the Lessee, failing which, it shall be assumed that the Lessee has opted not to exercise its Right of First Refusal on said space and the Right of First Refusal for said space shall then become null and void and of no further effect and the Lessor shall have the right to lease said space to said third party.

This Right of First Refusal is a personal right of the Lessee and is neither transferable nor assignable, and is subject to any pre-existing rights of first refusal given to other tenants of the Building.

41.5 **Right to Expand**

Provided Lessee is not in Default of any obligations as described by this Lease, Lessee shall have the right, at any time during the Term, to expand its Premises within Lessor's portfolio.

41.6 **Measurement of the Leased Premises**

Lessor shall have the right, at its entire discretion and at any time during the Term of the Lease, to verify how much space Lessee occupies. If Lessee occupies more than the allotted **23,152 square feet**, Lessor will have the right to invoice Lessee for the extra space occupied, under the same terms and conditions of the present Lease Agreement.

41.7 **Option to Renew**

Provided the Lessee is not and has not been in default under the terms and conditions of the Lease, it shall have the right to renew the Term for **One (1) additional period of Two (2) years, commencing on the First (1st) day of July, 2011 and terminating on the Thirtieth (30th) day of June, 2013** (the **"Renewal Period"**), the whole, at the same terms and conditions contained in the Lease, save and except for this option to renew, which shall no longer apply and save and except that: the Lessee shall not be entitled to any leasehold improvements and that it shall not be entitled to any free rent period and for the Base Gross Rent which shall have to be negotiated prior to the expiry of the Term and that the Base Gross Rent for the Renewal Period shall be negotiated based on the then market rate for similar buildings in the Greater Montreal Region but that said Base Gross Rent shall not, under any circumstances, be less than the Base Gross Rent payable by the Lessee for its Premises, during the last year of the Term.

Furthermore, the present option to renew is conditional upon the Lessee advising the Lessor of its intention to renew the Lease at least six (6) months prior to the expiration of the Term; failing which, the option to renew shall become null and void and of no effect.

42. **ACCEPTANCE**

The present Lease is open for signature by the Lessee until **3:00 p.m., April 30th, 2010**, after which time it will become null and void and of no further effect.

Furthermore it is expressly agreed and understood that the present Lease will not be considered as binding the Lessor and the Lessee unless said Lease is accepted and signed by the Lessor.

43. **LANGUAGE**

The parties acknowledge having expressly required that this Lease and all writings relating thereto be drawn up in English. Les parties déclarent avoir expressément requis que ce Bail et tous les documents s'y rapportant soient rédigés en anglais.

ACCEPTED AND SIGNED ON THIS 12 DAY OF May 2010

OLYMBEC DEVELOPMENT (2004) INC.

/s/ G. Garcia

Witness

/s/ Authorized Person

Per:

Witness

ACCEPTED AND SIGNED ON THIS 29 DAY OF April 2010

DAVIDSTEA INC.

/s/ Howard Tafler

Witness

/s/ David Segal

Per: Mr. David Segal

/s/ Witness

Witness

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Schedule "B"

Pre-Authorized Debit Plan

I/we authorize **Landlord (as defined in the attached Lease)**, and the financial institution designated (or any other financial institution I/We may authorize at any time) to begin deductions as per my/our instructions for monthly regular recurring payments of **all rental services as per my lease attached**. Regular monthly payments for the full amount of services delivered will be debited to my/our specified account on the **day of each month. Landlord (as defined in the attached Lease)** will provide a 10 days written notice of any changes for my regular debit. **Landlord (as defined in the attached lease)** will obtain my/our authorization for any other on-time or sporadic debits.

This authority is to remain in effect until **Landlord (as defined in the attached Lease)** has received written notification from me/us of its change or termination. This notification must be received at least ten (10) business days before the next debit is scheduled at the address provided below. I/We obtain a sample cancellation form, or more information on my/our right to cancel a PAD Agreement at my/our financial institution or by visiting www.cdnpay.ca.

Landlord (as defined in the attached Lease) may not assign this authorization, whether directly or indirectly, by operation of law, change of control or otherwise, without providing at least ten (10) days prior written notice to me/us.

I/we have certain recourse rights if any debit does not comply with this agreement. For example, I/We have the right to receive reimbursement for any PAD that is not authorized or is not consistent with this PAD Agreement. To obtain a form for Reimbursement Claim, or for more information on my/our rights. I/we may contact my/our financial institution or visit www.cdnpay.ca.

PLEASE PRINT

DATE:

Name(s):

Olymbec Client number:

Type of Service: Personal

Business

Address:

City/Town:

Province:

Postal Code:

Phone Number (Bus.)

(Res.)

Financial Institution (FI):

F1 Account Number:

FI Transit Number:

(branch - 5 digits; FI 3 digits)

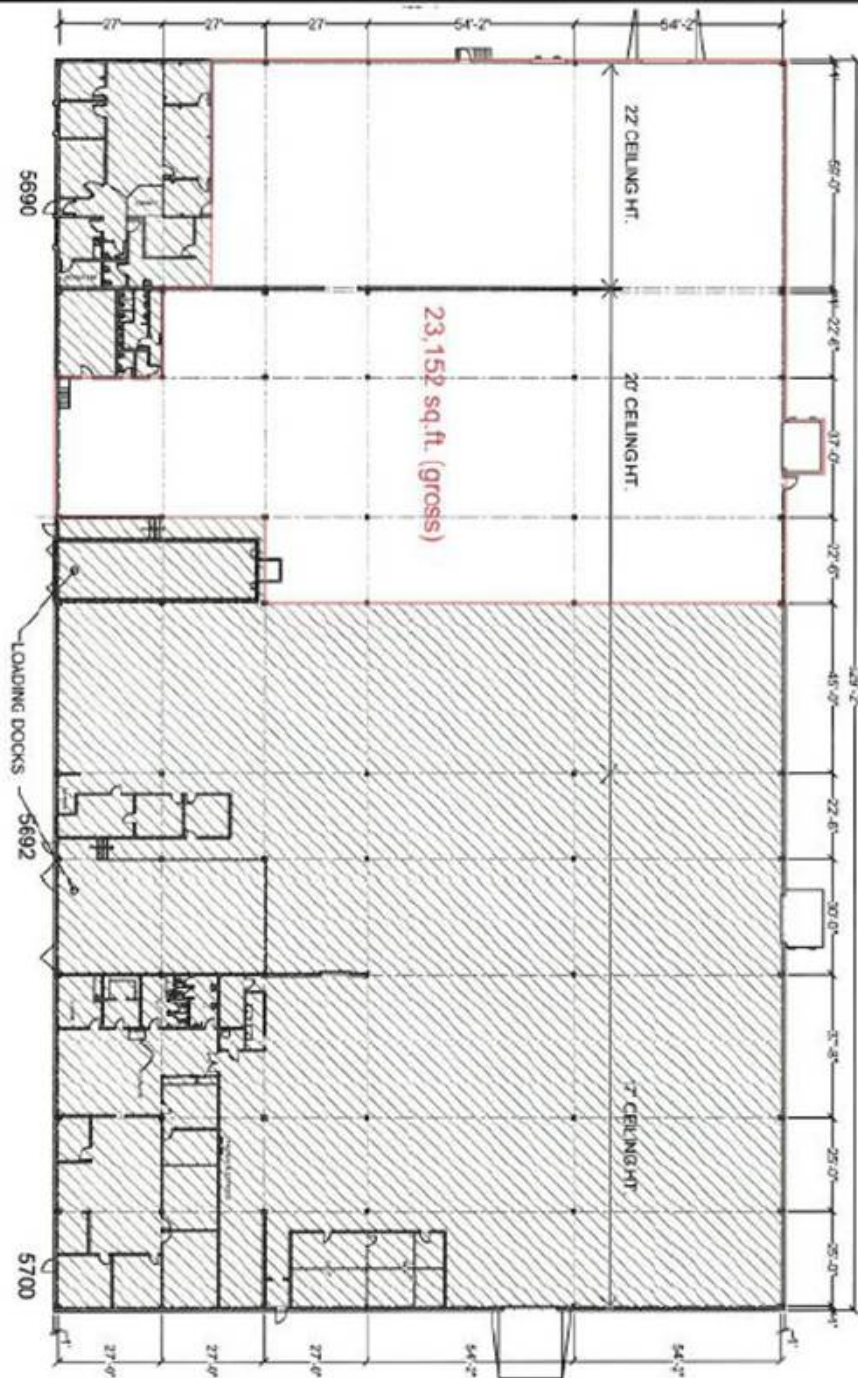
Address:

City/Town:

Province:

Postal Code:

Authorized Signature(s):



Legend:

[illegible]

**FIRST ADDENDUM TO THE LEASE — ADDITIONAL PREMISES
AND RENEWAL OF THE COMBINED PREMISES**

January 19th, 2011

BETWEEN: **OLYMBEC DEVELOPMENT INC.**
(Previously: Olymbec Development (2004) Inc.)
333 Decarie Blvd., 5th Floor
St-Laurent, Quebec
H4N 3M9
(hereinafter referred to as the “LESSOR”)

NEW QST# 1205414424 TQ0001
NEW GST# 145375507 RT0001

AND: **DAVIDSTEA INC.**
5690 Paré Street
Town of Mount-Royal, Quebec
H4P 2M2
(hereinafter referred to as the “LESSEE”)

MATRICULE: 1165187155

PREAMBLE

WHEREAS the Lessor and the Lessee (the “Parties”) entered into a Lease Agreement dated April 28th, 2010, (the “Lease”) the whole with respect to the premises forming part of Lessor’s building known as 5690-5700 Paré Street, Town of Mount-Royal, Province of Quebec (the “Building”), which premises bear civic number **5690 and 5692 Paré**, having a rentable area of approximately **TWENTY-THREE THOUSAND ONE HUNDRED FIFTY-TWO (23,152) SQUARE FEET** (which includes service areas) and represents **36.76%** of the total rentable area of the Building (the “Initial Premises”);

WHEREAS Olymbec Development (2004) Inc. was merged with Olymbec Development Inc, on January 1st, 2011;

WHEREAS the Lessee has informed the Lessor of its intention to lease additional space in the Building, the whole subject expressly to the terms and conditions hereinafter stipulated;

	INITIALS
Lessor	
Lessee	

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WHEREAS the Lessee and Lessor are agreeable to extend the Term of the Initial Premises by a period of **Three (3) years**, the whole subject to the modifications and provisions contained herein, **to coincide with the Term of the Additional Premises**;

WHEREAS the additional premises are located in the Lessor’s Building and are designated as **5692 Paré**, the whole as outlined on the plan attached hereto as Schedule “A”. Said additional space contains an approximate gross rentable area of **SEVENTEEN THOUSAND SEVEN HUNDRED AND FOUR (17,704) SQUARE FEET** and represents **28.11%** of the total rentable area of the Building (the “Additional Premises”);

WHEREAS the Initial Premises and the Additional Premises are, as of the date of these presents, referred to as (the “Combined Premises”);

WHEREAS the Combined Premises contain an approximate gross rentable area of **FORTY THOUSAND EIGHT HUNDRED FIFTY-SIX (40,856) SQUARE FEET** (which includes service areas) and represents **64.87%** of the total rentable area of the Building;

THIS HAVING BEEN DECLARED, THE PARTIES AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

1. PREAMBLE

The Preamble shall form an integral part of the present Addendum to the Lease — Additional Premises.

2. TERM OF LEASE, OCCUPANCY OF PREMISES, KEYS TO THE PREMISES

2.1 Term of Lease for the Additional Premises (17,704 square feet)

The term of the Lease for the Additional Premises shall commence on **February 1st, 2011** and shall terminate on **June 30th, 2011** (the “Term for the Additional Premises”), unless the Lease is sooner terminated under the provisions hereof.

2.2 Term of the Lease for the Combined Premises (40,856 square feet)

The term of the Lease for the Combined Premises shall commence on **July 1st, 2011** and shall terminate on **June 30th, 2014** (the “**Term for the Combined Premises**”), unless the Lease is sooner terminated under the provisions hereof.

2.3 Occupancy of the Additional Premises

The Lessee shall be allowed to occupy, and Lessor shall remit keys to the Additional Premises to the Lessee on the Commencement Date, provided that the Lessee has signed the present Amendment to the Lease for Additional Premises.

	INITIALS
Lessor	_____
Lessee	_____

3. BASE GROSS RENT

3.1 Additional Premises (17,704 square feet)

- (i) For the period commencing **February 1st, 2011** and terminating **June 30th, 2011**, a monthly Base Gross Rent being calculated on the annual basis of **Six Dollars and Twenty-five Cents (\$6.25)** per square foot, plus G.S.T. and Q.S.T. (the “**Monthly Base Gross Rent for the Additional Premises**”). The Monthly Base Gross Rent for the Additional Premises is to be paid in consecutively and in advance on the first (1st) day of each month.

3.2 Combined Premises (40,856 square feet)

- (i) For the period commencing **July 1st, 2011** and terminating **June 30th, 2014**, a monthly Base Gross Rent being calculated on the annual basis of **Six Dollars and Fifty Cents (\$6.50)** per square foot, plus G.S.T. and Q.S.T. (the “**Monthly Base Gross Rent for the Combined Premises**”). The Monthly Base Gross Rent for the Additional Premises is to be paid in consecutively and in advance on the first (1st) day of each month.

4. CONDITION OF THE ADDITIONAL PREMISES

The Lessee expressly covenants and agrees that it is fully aware of the condition of the Additional Premises and hereby accepts the Additional Premises in their present condition “as is” and acknowledges that the Lessor shall not perform any renovation, alterations or leasehold improvements in or to the Additional Premises, with the exception of the following:

- 1) Lessor shall verify that all systems are in proper working order;
- 2) Remove existing barriers and move the plastic barrier to the new separation line;

All telephone and computer jacks left in the premises by the previous lessee may, at Lessor’s sole discretion, be removed by the Lessor or may be left in the Premises, without warranty by the Lessor as to their ability to function.

5. SPECIAL CONDITIONS

A Deposit

Upon signature of the present Lease by the Lessee, the Lessee must deposit a certified cheque in the amount of **Ten Thousand Five Hundred Four Dollars and Eighty-three Cents (\$10,504.83)**, including the G.S.T. and P.S.T., representing the Base Gross Rent for the **Additional Premises** for the First (1st) month of the Term (the “**Deposit**”).

6. OPTION TO RENEW

Provided the Lessee is not and has not been in default under the terms and conditions of the Lease, it shall have the right to renew the Term for **One (1) additional period of Two (2) years**,

	INITIALS
Lessor	_____
Lessee	_____

commencing on the First (1st) day of July, 2014 and terminating on the Thirtieth (30th) day of June, 2016 (the “**Renewal Period**”), the whole, at the same terms and conditions contained in the Lease, save and except for this option to renew, which shall no longer apply and save and except that: the Lessee shall not be entitled to any leasehold improvements and that it shall not be entitled to any free rent period and for the Base Gross Rent which shall have to be negotiated prior to the expiry of the Term and that the Base Gross Rent for the Renewal Period shall be negotiated based on the then market rate for similar buildings in the Greater Montreal Region but that said Base Gross Rent shall not, under any circumstances, be less than the Base Gross Rent payable by the Lessee for its Premises, during the last year of the Term.

Furthermore, the present option to renew is conditional upon the Lessee advising the Lessor of its intention to renew the Lease at least six (6) months prior to the expiration of the Term; failing which, the option to renew shall become null and void and of no effect.

7. RIGHT OF EARLY TERMINATION

Provided the Lessee is not and has not been in default under the terms and conditions of the Lease, it shall have a Right of Early Termination of this Lease. The notice may only be given after the **Eighteenth (18th)** month of the Term is completed. Lessee must advise Lessor of its intention to terminate with a **Six**

(6) months written notice, failing which, the Right of Early Termination will be null and void. **Therefore, the earliest date Lessee can move out of the Premises is June 30th, 2013.**

8. RIGHT OF FIRST REFUSAL

Provided that the Lessee has not been in default of any of its obligations, at any time during the Term, the Lessee shall have, throughout the Term as the case may be, a right of first refusal to lease any adjacent space to the Premises that may be coveted by a third party (the "Right of First Refusal").

In any event that the Lessor receives an acceptable offer to lease such space in the Building from a third party, the Lessor shall use reasonable efforts to grant advance notice to the Lessee and will immediately forward a copy of any such third party offer to the Lessee, save and except for any references made to the third party's name and address. The Lessee shall then have three (3) business days from the date any such offer was received to exercise its Right of First Refusal to lease any such space, the whole based on the same rental rate, terms and conditions contained in the third party's offer. In order to exercise its Right of First Refusal the Lessee shall notify the Lessor in writing of its intention with regards to any such offer within the aforementioned delay, namely within three (3) business days from the date any such third party's offer was received by the Lessee, failing which, it shall be assumed that the Lessee has opted not to exercise its Right of First Refusal on said space and the Right of First Refusal for said space shall then become null and void and of no further effect and the Lessor shall have the right to lease said space to said third party.

	INITIALS
Lessor	_____
Lessee	_____

This Right of First Refusal is a personal right of the Lessee and is neither transferable nor assignable, and is subject to any pre-existing rights of first refusal given to other tenants of the Building.

9. ACCEPTANCE

The present Second Addendum to the Lease - Additional Premises is open for signature and acceptance by the Lessee **until 3:00PM** on the **21st day of January, 2011**, after which it shall be null and void and of no effect.

Furthermore the present First Addendum to the Lease - Additional Premises shall not be considered as binding the Lessor and the Lessee unless said Addendum is accepted and signed by the Lessor.

8. ENTIRE AGREEMENT

Save and except for the terms and conditions modified herein, all other terms and conditions of the Lease, shall apply to the Additional Premises and all other terms and conditions of the Lease shall remain unmodified and in full force and effect.

All capitalized terms used in the present Addendum to the Lease shall have the same meaning attributed to them in virtue of the Lease unless otherwise modified herein. The Lease together with the present Addendum to the Lease represents the entire agreement and understanding between the parties with respect to the Premises and the Additional Premises.

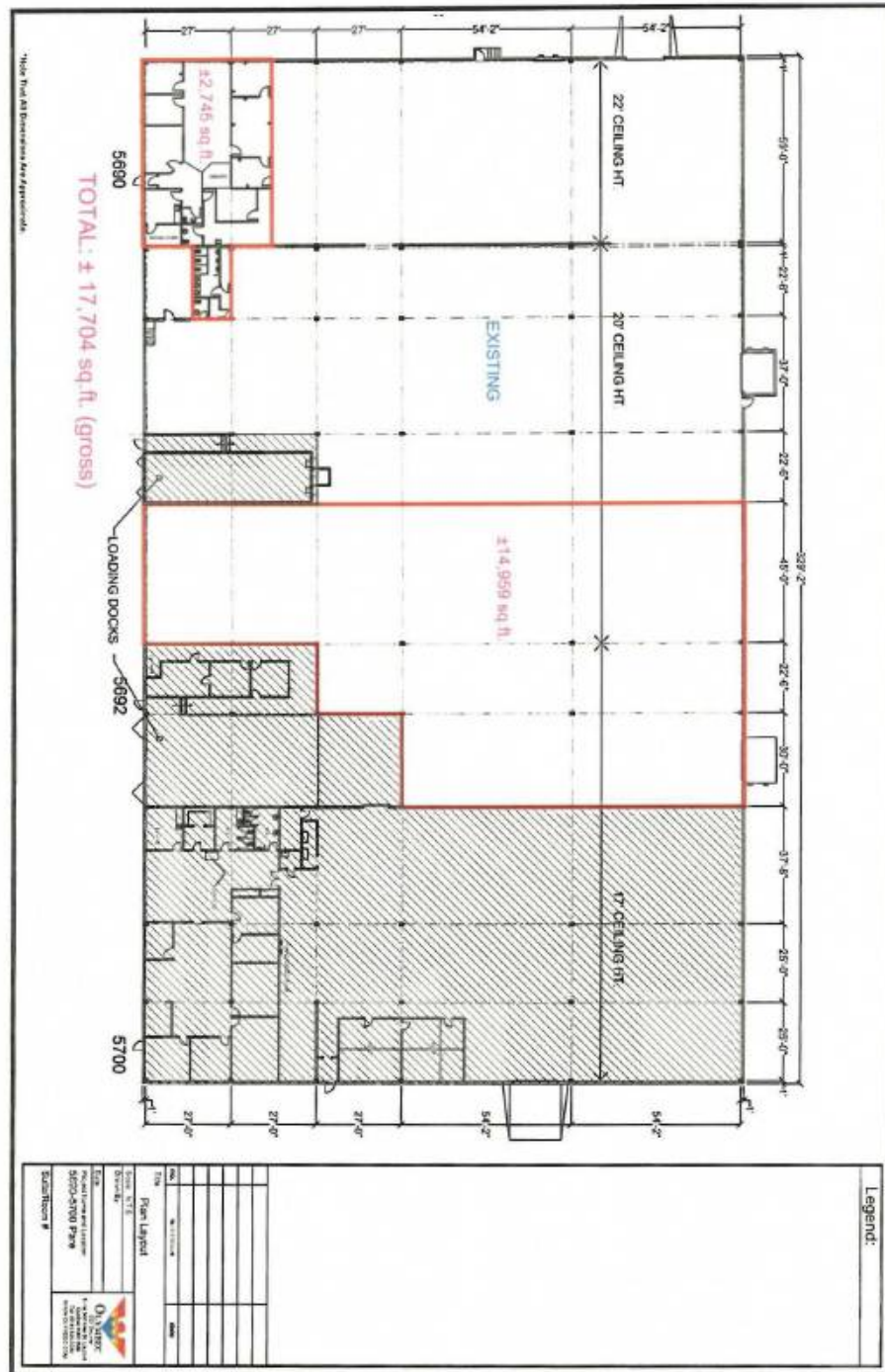
ACCEPTED AND SIGNED ON THIS	DAY OF	2011
		OLYMBEC DEVELOPMENT INC.

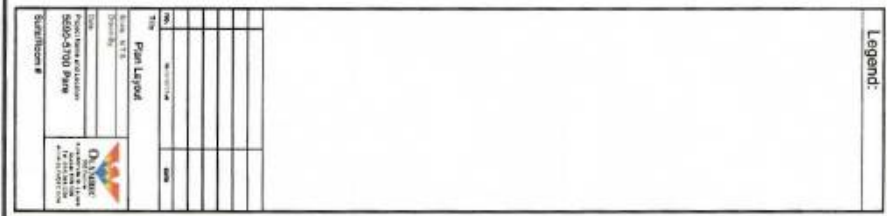
_____ Witness	_____ Per:
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ACCEPTED AND SIGNED ON THIS	DAY OF	2011
		DAVIDSTEA INC.

_____ Witness	/s/ David Segal _____ Per: David Segal
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_____ Witness	
	INITIALS





**SECOND ADDENDUM TO THE LEASE -
SECOND ADDITIONAL PREMISES**

September 2nd, 2011

BETWEEN: **OLYMBEC DEVELOPMENT INC.**
(Previously: Olymbec Development (2004) Inc.)
333 Decarie Blvd., 5th Floor
St-Laurent, Quebec
H4N 3M9
(hereinafter referred to as the “LESSOR”)

NEW QST# 1205414424 TQ0001
NEW GST# 145375507 RT0001

AND: **DAVIDSTEA INC.**
5690 Paré Street
Town of Mount-Royal, Quebec
H4P 2M2
(hereinafter referred to as the “LESSEE”)

MATRICULE: 1165187155

PREAMBLE

WHEREAS the Lessor and the Lessee (the “Parties”) entered into a Lease Agreement dated April 28th, 2010, (the “Lease”) the whole with respect to the premises forming part of Lessor’s building known as 5690-5700 Paré Street, Town of Mount-Royal, Province of Quebec (the “Building”), which premises bear civic number **5690 and 5692 Paré**, having a rentable area of approximately **TWENTY-THREE THOUSAND ONE HUNDRED FIFTY-TWO (23,152) SQUARE FEET** (which includes service areas) (the “Initial Premises”);

WHEREAS by First Addendum to the Lease — Additional Premises and Renewal of the Combined Premises dated January 19th, 2011, Lessee leased from Lessor, some additional premises, said premises are located in the Lessor’s Building and are designated as **5692 Paré**, and contain an approximate gross rentable area of **SEVENTEEN THOUSAND SEVEN HUNDRED AND FOUR (17,704) SQUARE FEET** (the “First Additional Premises”). The Term of the Initial Premises was also extended to **June 30th, 2014**;

WHEREAS Olymbec Development (2004) Inc. was merged with Olymbec Development Inc. on January 1st, 2011;

WHEREAS the Lessee has informed the Lessor of its intention to lease additional space in the Building, the whole subject expressly to the terms and conditions hereinafter stipulated;

WHEREAS the second additional premises are located in the Lessor’s Building and are designated as **5700 Paré**, the whole as outlined on the plan attached hereto as Schedule “A”. Said additional space contains an approximate gross rentable area of **TWENTY THOUSAND SIX HUNDRED SIXTY-THREE (20,663) SQUARE FEET** (the “Second Additional Premises”);

WHEREAS the Initial Premise, the First Additional Premises and the Second Additional Premises are, as of the date of these presents, referred to as (the “Combined Premises”);

WHEREAS the Combined Premises contain an approximate gross rentable area of **SIXTY-ONE THOUSAND FIVE HUNDRED AND NINETEEN (61,519) SQUARE FEET** (which includes service areas) and represents **100%** of the total rentable area of the Building;

THIS HAVING BEEN DECLARED, THE PARTIES AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

1. PREAMBLE

The Preamble shall form an integral part of the present Addendum to the Lease — Additional Premises.

2. TERM OF LEASE, OCCUPANCY OF PREMISES, KEYS TO THE PREMISES

2.1 Term of Lease for the Second Additional Premises (20,663 square feet)

The term of the Lease for the Additional Premises shall commence on **October 1st, 2011** and shall terminate on **June 30th, 2014** (the “Term for the Second Additional Premises”), unless the Lease is sooner terminated under the provisions hereof. If, for any reason, Lessor is unable to deliver the Premises to Lessee on or prior to the Commencement Date, Lessee’s sole right and remedy shall be to delay the commencement of the Term by the number of days the delivery of possession is delayed.

2.2 Occupancy of the Second Additional Premises

**THIRD AMENDMENT TO THE LEASE
RENEWAL OF THE LEASE TERM**

February 20th, 2014

BETWEEN: **OLYMBEC DEVELOPMENT INC.**
(Previously: Olymbec Development (2004) Inc.)
333 Decarie Blvd., 5th Floor
St-Laurent, Quebec
H4N 3M9
(hereinafter referred to as the “LESSOR”)

NEW QST# 1205414424 TQ0001
NEW GST# 145375507 RT0001

AND: **DAVIDSTEA INC.**
5690 Paré Street
Town of Mount-Royal, Quebec
H4P 2M2
(hereinafter referred to as the “LESSEE”)

MATRICULE: 1165187155

PREAMBLE

WHEREAS the Lessor and the Lessee (the “Parties”) entered into a Lease Agreement dated April 28th, 2010, (the “Lease”) the whole with respect to the premises forming part of Lessor’s building known as 5690-5700 Pare Street, Town of Mount-Royal, Province of Quebec (the “Building”), which premises bear civic number **5690 and 5692 Paré**, having a rentable area of approximately **TWENTY-THREE THOUSAND ONE HUNDRED FIFTY-TWO (23,152) SQUARE FEET** (which includes service areas) (the “Initial Premises”);

WHEREAS Olymbec Development (2004) Inc. was merged with Olymbec Development Inc, on January 1st, 2011;

WHEREAS by First Addendum to the Lease - Additional Premises and Renewal of the Combined Premises dated January 19th, 2011, Lessee leased from Lessor, some additional premises, said premises are located in the Lessor’s Building and are designated as **5692 Pare**, and contain an approximate gross rentable area of **SEVENTEEN THOUSAND SEVEN**

HUNDRED AND FOUR (17,704) SQUARE FEET (the “First Additional Premises”). The Term of the Initial Premises was also extended to **June 30th, 2014**;

WHEREAS by Second Addendum to the Lease - Additional Premises dated January 2nd, 2011, Lessee leased from Lessor, some second additional premises, said second premises are located in the Lessor’s Building and are designated as **5700 Pare**, and contain an approximate gross rentable area of **TWENTY THOUSAND SIX HUNDRED SIXTY-THREE (20,663) SQUARE FEET** (the “Second Additional Premises”);

WHEREAS the Initial Premise, the First Additional Premises and the Second Additional Premises are, as of the date of these presents, referred to as (the “Combined Premises”);

WHEREAS the Combined Premises contain an approximate gross rentable area of **SIXTY-ONE THOUSAND FIVE HUNDRED AND NINETEEN (61,519) SQUARE FEET** (which includes service areas) and represents **100%** of the total rentable area of the Building;

WHEREAS the Lessee and Lessor are agreeable to extend the term of the Combined Premises by a period of **TWO (2) years**, the whole subject to the modifications and provisions contained herein;

IN WITNESS WHEREOF, THE LESSOR AND THE LESSEE MUTUALLY AGREE TO THE FOLLOWING:

1. PREAMBLE:

The Preamble is true and correct, both in substance and in fact, and that said Preamble forms an integral part hereof as if it were recited at length.

2. EXTENDED TERM:

The term of the Lease is hereby extended for a further period of **TWO (2) years**, to commence on **July 1st, 2014** and to be fully completed and ended on the **30th day of June, 2016** (the “Extended Term”).

3. CONDITION OF THE PREMISES:

The Lessee expressly covenants and agrees that it is fully aware of the condition of the Premises and hereby accepts the Premises in its present condition “as is” and acknowledges that the Lessor shall not perform any renovation, alterations or leasehold improvements in or to the Premises, **save and except that Lessor shall, at its cost, sixty (60) days after the signature of these presents:**

- **Verify the wall and the holes and cracks will be repaired and closed;**
- **Verify the roof ensure that the roof leaks are repaired;**
- **Ensure that all the radiant heaters are fully functional;**
- **Verify the plumbing to ensure that sewer odors are stopped;**
- **Repair the garage doors on the east parking lot and adjust to truck level heights;**

4- BASE GROSS RENT:

- (i) For the period commencing **July 1st, 2014** and terminating **June 30th, 2016**, a monthly Base Gross Rent in the amount of **Thirty-eight Thousand Four Hundred Forty-nine Dollars and Thirty-eight Cents (\$38,449.38)**, said monthly Base Gross Rent being calculated on the annual basis of **Seven Dollars and Fifty Cents (\$7.50)** per square foot, plus G.S.T. and Q.S.T.

5. BROKERAGE COMMISSION:

The Lessee declares and confirms, by these presents, that no broker or agent was involved in the present transaction.

Consequently, the Lessee guarantees that no commissions or charges are payable to any broker or agent with respect to the present transaction. The Lessee shall indemnify and hold the Lessor harmless from any and all claims for commissions or charges.

6. DEPOSIT:

Any deposit of any nature whatsoever that could have been remitted to the Lessor by the Lessee will continue to be retained by the Lessor during the Renewed Term as a security deposit, refundable to the Lessee, subject to any deduction for monetary default or damage caused to the Premises by the Lessee, or by anyone for whom the Lessee is responsible by law, thirty (30) days after the expiration of the Term.

7. RIGHT OF EARLY TERMINATION

Article 7 of the First Addendum to the Lease - Additional Premises and Renewal of the Combined Premises dated January 19th, 2011 is hereby deleted.

8. MODIFICATIONS:

The following clauses are hereby added to the Lease:

A) HVAC

It is expressly agreed and the Lessee covenants that it must, throughout the Term and/or any renewal or extension thereof, as the case may be, be responsible for the maintenance and repairs to the H.V.A.C. system and shall enter in to a maintenance contract with an accredited company and the Lessee must remit a copy of said contract to the Lessor.

9. RENTAL ARREARS:

~~The present Third Renewal is conditional upon Lessee remitting to Lessor, at the signature of these presents, a cheque in the amount of \$300.37 representing Word Order #40868.~~

10. ACCEPTANCE:

The present Third Renewal and Amendment to the Lease is open for signature and acceptance by the Lessee **until 3:00PM on the 24th day of February, 2014**, after which it shall be null and void and of no effect.

Furthermore the present Third Renewal and Amendment to the Lease shall not be considered as binding the Lessor and the Lessee unless said Third Renewal and Amendment to the Lease is accepted and signed by the Lessor.

In addition, the present Third Renewal and Amendment to the Lease may not be considered as binding upon the Lessor, if at the time of its execution; Lessee owes rent, additional rent or any other sums due to the Lessor. Lessor reserves the right, at its sole discretion to declare these presents null and void under those circumstances.

11. ENTIRE AGREEMENT:

Save and except for the terms and conditions contained herein, all other terms and conditions of the Lease shall remain unmodified and in full force and effect throughout the Extended Term.

The present Third Renewal and Amendment to the Lease, along with the Lease, as defined herein, represent the entire agreement intervened between the parties with regard to the Premises. All capitalized terms used in the present Third Renewal and Amendment to the Lease shall have the same meaning attributed to them in the Lease and shall be interpreted likewise, unless otherwise modified herein.

SIGNED AND ACCEPTED ON THIS 3 DAY OF April 2014.

OLYMBEC DEVELOPMENT INC.

/s/ Witness

Witness

/s/ Derek Stern

Per: Derek Stern

MONTH TO MONTH TENANCY AGREEMENT

This Agreement (the “Agreement”) made this 14th day of February 2011, by and between **Le Chateau Inc.** a Canadian corporation, having offices at 8300 Decarie, Montreal, Quebec H4P 2P5 (the “**Licensor**”) and **DAVIDs TEA Inc.**, a Canadian corporation, having offices at 5775A, Ferrier Street, Mont-Royal, Quebec H4P 1N3 (the “**Licensee**”).

WITNESSETH:

That for and in consideration of the mutual promises and subject to the terms and conditions set forth herein, Licensor hereby grants to Licensee the right and license to install, maintain and operate, in accordance with the provisions hereinafter set forth, a business and for no other purpose, in a portion of those premises located at 5775A Ferrier Street, Town of Mount-Royal, Quebec, which premises (the “**Premises**”) are leased to Licensor. Licensor and Licensee acknowledge and agree that Licensee shall have the right to exercise its rights contained herein, subject and subordinate to the provisions of that certain Lease for the Premises dated March 23rd 2006 (collectively the “Lease”).

1. Month to Month Occupancy

The term of this Agreement shall commence on the day that Licensor delivers the Licensed Location (as hereinafter defined) to Licensee for fixturing (“**Delivery Date**”), and Licensee will occupy the Premises from month to month and the License Fee shall be payable in advance on the first day of each month. There is no tacit renewal of this Agreement despite any statutory provision or legal presumption to the contrary, including, without limitation, Article 1879 of the Civil Code of Quebec or similar legislation. The Licensor and/or Licensee may terminate this Agreement on the last day of any calendar month by delivery of at least thirty (30) days prior written notice of termination to the other.

2. Payments

During the Term of the Agreement, commencing on the April 01, 2011 (the “**Commencement Date**”), Licensee shall pay to Licensor throughout the term as license fees (the “**License Fees**”) payable as follows:

Period	Monthly rate of the Licensed Location
April 1, 2011 — the Commencement Date	Six Thousand two hundred and fifty dollars (\$6,250.00) gross monthly payable every first of the month plus GST and QST

The License Fees shall be payable in equal consecutive monthly payments, starting on the Commencement Date, in advance on the first (1st) day of each month of the Term and shall be payable without abatement, demand or set-off. Payment shall be prorated on a daily basis for any partial month. The Licensor may at the end of each twelve (12) consecutive month period, revise the License Fees payable.

2.1 Fixturing Period

The Licensee shall have a fixturing period of **twenty-eight (28) days** commencing on March 1, 2011 and expiring on March 31, 2011 (the “**Fixturing Period**”) and the License Fees shall be abated during the Fixturing Period. During the Fixturing Period, the Licensee is bound by all the terms of this Agreement, including the obligation to deliver certificates of insurance executed by the Licensee’s insurers prior to the commencement of the Fixturing Period.

3. Use & Occupancy

The License granted under this Agreement shall apply with respect only to the Premises. Licensee shall have the right to use and occupy approximately nine thousand six hundred nineteen (**9,619 square feet**) of the Premises as shown outlined on Schedule “A” (the “**Licensed Location**”). Licensee shall have the exclusive right to use the Licensed Location for the Business. Throughout the Term, the Licensee shall

diligently and continuously conduct the Business in the Licensed Location. Licensee, its employees and/or agents shall not do or fail to do anything in the Licensed Location and/or the Premises which would violate the Lease. Licensor may, from time to time, give Licensee notice of any act or omission by Licensee, its employees or agents that is, would or could be a violation of the Lease. Upon Licensee’s receipt of notice, Licensee, its employees and/or agents shall promptly cease and refrain from doing at all future times any and everything that Licensor advises Licensee, is, would or could be a violation of its Lease for the Premises.

Licensee shall maintain and conduct its operations in a first class and proper manner. Licensee’s use of the Licensed Location shall be subject to such reasonable limitations and restrictions as Licensor may, from time to time, impose (including hours of operation during which the Business); provided, however, that such restrictions and limitations shall not require that Licensee be open or conduct any business in contravention of the law or at unreasonable times. Except in the case of an emergency, Licensor’s personnel shall not block or unduly restrict access to the Licensed Location.

4. Licensee’s Employees

All persons employed by Licensee in or about or in connection with, the operation of the Licensed Location shall be Licensee’s employees for all purposes. Licensee shall, at its own cost and expense, maintain worker’s compensation coverage, unemployment compensation coverage and any other coverage which may be required by law with respect to Licensee’s employees.

Licensor shall prohibit and Licensee shall prohibit their respective employees from soliciting the other’s employees.

5. Improvements, Additions, and Signs

The Licensee accepts the Licensed Location in its “as is” condition and acknowledges receiving the Licensed Location furnished with the fixtures, equipment and furnishings in good condition as listed in Schedule “B” attached hereto (the “**Leasehold Improvements**”). The Licensee shall, at its sole cost and expense, take care of,

maintain, and replace any Leasehold Improvement listed in Schedule “B”. The Licensee shall not have to repair what is considered normal wear and tear during occupancy.

Licensee, at its sole cost and expense, shall furnish and install its own signage, and telephone, as it deems necessary or desirable for its operations at the Licensed Location and shall pay for all costs of modification of the existing space or the installation of any additional fixtures, equipment and furnishings the Licensee may require. Licensee shall not take any action, which would violate the Lease. Licensee shall use materials of equal or better quality than those used in the construction of the Premises and comply with all applicable laws, orders and regulations of Federal, Provincial and Municipal authorities and with any direction given by a public officer pursuant to law and with all regulations of any fire underwriters association having jurisdiction. Licensee shall not make any modification nor shall it attach any fixtures, signage or equipment to the Premises without Licensor’s prior written approval, such approval not to be unreasonably withheld or delayed. Licensee shall submit plans and specifications in reasonable detail (including, without limitation, proposed elevations and design detail, electrical and mechanical systems, colour and proposed materials) of the proposed improvements to Licensor for written approval prior to doing any work, such approval not to be unreasonably withheld or delayed. Licensee shall obtain or cause to be obtained all building permits, licenses, temporary and permanent certificates of occupancy and other governmental approvals which may be required in connection with the Licensed Location. Any work done pursuant to this article shall be at times which are agreeable to Licensor acting reasonably. The manager of the Premises acting reasonably may require Licensee to temporarily cease carrying on the whole or part of the work, and Licensee agrees to immediately cease work, provided that Licensor prescribes a time or times during which such work may be continued by Licensee.

6. Maintenance and Repair

Licensee, at its sole cost and expense, shall take care of and maintain the Licensed Location in good order and repair. Licensor shall, at its sole cost and expense, take

care of and maintain in good working order or cause to be maintained, in good working order all portions of the Premises other than the Licensed Location, including without limitation, plumbing, electrical equipment, heating, air conditioning, doors, windows, and all other structural portions of the Premises and to make any necessary repairs with reasonable diligence, provided, however, that (a) the preceding shall not obligate Licensor to undertake any obligations greater than or different from those imposed on Licensor under the Lease, and (b) as to all such work for which Licensor’s Landlord is responsible for maintenance and repairs, Licensor’s sole responsibility shall be to use reasonable efforts to notify the Landlord to perform such repairs. Licensee and its contractors shall be granted access to enter the Premises for the purpose of servicing, maintaining and otherwise performing service in connection with Licensed Location; provided, however, that they shall in no event disrupt Licensor’s business. Licensor shall have access to the Licensed Location in the event of emergencies.

7. Insurance

Licensee shall carry its own property insurance on its improvements to the Licensed Location and all other property in the Licensed Location. Licensee shall also keep in force during the Term of this Agreement; (i) all risks (including flood and earthquake) property insurance in amounts sufficient to fully cover on a replacement cost basis Licensee’s improvements and all property in the Premises which is not owned by the Licensor or which Licensee is responsible to repair or maintain, or which is installed by or on behalf of the Licensee; (ii) sufficient public liability insurance, with Licensor named as additional insured, against claims for death, personal injury and property damage, arising out of or connected with the business of Licensor carried on within the Premises, in amounts which are from time to time acceptable to a prudent tenant where the Premise is located, with liability limits of not less than **Five Million Dollars (\$5,000,000.00)** combined single limit for bodily injury and/or for property damage. Licensor shall receive thirty (30) days prior written notice of cancellation of any such insurance policy. All such insurance shall be with an insurer and provide such coverages as would be obtained by a prudent operator of the Business in the Licensed Location and shall otherwise be in form and substance satisfactory to the Licensor,

acting reasonably. Licensee shall furnish Licensor with a certificate evidencing such coverage within ten (10) days of the Delivery Date and upon request from time to time during the Term.

If the Licensee fails to obtain the insurance required under this Paragraph 7 and such failure is not cured within two (2) business days following written notice from the Licensor, the Licensor shall be entitled to obtain such insurance coverage (but without any obligation to do so) and the costs thereof shall be payable by the Licensee to the Licensor.

Licensor shall carry its own public liability and personal property insurance with respect to the Premises and the Licensed Location.

Licensee shall, at its own cost and expense, comply with all regulations or orders of any insurance company or companies relating to its operation of the Business.

Licensee shall indemnify and hold harmless Licensor, its agents, servants, employees and any other person for whom the Licensor is in law responsible from any and all claims, causes of action, damages, expenses and liability, including reasonable legal fees, sustained or incurred by any persons which are based upon or arise out of illness or injury, including death of any person or property damage to any property, and which arise from or in any manner out of any act or omission of Licensee, its agents, partners, independent contractors, employees, servants and any other person for whom Licensee is in law responsible. Licensee shall immediately respond and assume the investigation, defence and expense of all claims and causes of action arising out of or in connection with such occurrences. Licensor may, at its sole cost and expense, join in such defence with counsel of its choice. Licensee shall not be liable in the event that any claim, damage, loss or injury is due to the negligent or wilful act or omission of Licensor, its agents, servants, employees or any other person for whom Licensor is in law responsible.

8. Default and Early Termination

If Licensee fails to pay the License Fees, or any other charges provided for hereunder when the same is due, and the same shall not be paid five (5) days after written notice, or if Licensee breaches any other covenant of this Agreement and fails to remedy same within ten (10) days after written notice of such breach, or as to matters which cannot be remedied in ten (10) days fails to commence efforts to remedy such default within such ten (10) day period and thereafter diligently to prosecute such efforts, Licensor may, in addition to any other rights it may have under this Agreement, declare this Agreement terminated and Licensee shall thereupon promptly vacate the Licensed Location, delivering same to Licensor in the condition set forth in paragraph 12 below, and if Licensee fails to do so, it shall be liable to Licensor for Licensor's cost of doing same. Anything in this Agreement to the contrary notwithstanding, if Licensee shall become insolvent, bankrupt or make an assignment for the benefit of creditors, or if Licensee or its interest hereunder shall be levied upon or sold under execution of other legal process, or if the act or omission of Licensee would or might cause a default under the Lease, Licensor may immediately terminate this Agreement and all License Fees in arrears, together with the next three (3) month's License Fees shall immediately become due and payable.

It is expressly understood and agreed that the Agreement is subject and subordinate to the Lease, and Licensor shall have no liability whatsoever for termination of this Agreement with respect to the Licensed Location arising out of the Lease or any action under the Lease by any Landlord or party claiming under Landlord or under Lease.

9. Possession Upon Termination

Upon any termination of this Agreement, whether at the end of the Term or otherwise, Licensee shall remove all its trade fixtures, except for the items listed in Schedule "B", make good any damage caused by such removal, and surrender peaceful possession of the Licensed Location in "broom-clean" condition in as good condition as it received the same, loss or damage by fire or other casualty excepted. All leasehold

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improvements installed by Licensee shall upon installation become the property of the Licensor.

10. Damage to Premises

If, by fire or other casualty, the Licensed Location or the Premises is destroyed or damaged to the extent that Licensee is deprived of occupancy or use of the same, Licensor agrees to notify Licensee as to whether it or the Premises' Landlord has decided to repair the damage or destruction resulting from any casualty as soon as possible, subject to the provisions of the Lease. If Licensor elects to repair such damage or destruction, Licensor shall proceed with due diligence to restore the Premises. If the Premises is repaired, whether by Licensor or the Premises' Landlord, Licensee shall proceed with due diligence to restore the Licensed Location to substantially the same condition as existed before such damage or destruction, and the sums payable hereunder with regard to such Licensed Location shall be abated from the date of such damage or destruction until restoration of the Premises and the Licensed Location is completed. If Licensor notifies Licensee that neither Licensor nor the Landlord of the Premises has decided to repair such damage or destruction, this Agreement shall be terminated. Nothing herein contained shall obligate Licensor to undertake any repair and/or restoration obligations not imposed on it by the Lease.

11. Expropriation

In the event of expropriation of all or part of the Premises, neither Licensor nor Licensee shall have a claim against the other for the shortening of the Term, nor the reduction or alteration of the Business and/or the Premises. Licensor and Licensee shall each look only to the expropriating authority for compensation.

Licensor and Licensee agree to cooperate with one another so that each is able to obtain the maximum compensation from the expropriating authority as may be permitted in law in relation to their respective interests in the Premises or Business. Nothing herein contained shall be deemed or construed to prevent Licensor or Licensee from

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enforcing and prosecuting a claim for the value of their respective interests in any expropriating proceedings.

12. Assignment

This Agreement may not be assigned or sublicensed or charged, encumbered or pledged without the written permission of Licensor, such permission not to be unreasonably withheld or delayed. In any event, Licensee shall at all times remain liable hereunder. This Agreement shall be binding upon and ensure to the benefit of the parties hereto and their respective permitted successors and assigns.

13. Security

Licensee acknowledges that (a) Licensor is not an insurer of the Licensed Location; (b) Licensor does not undertake to provide any security for the Licensed Location; and (c) that it shall be Licensee's obligation to provide security for Licensee's facilities.

14. Entire Agreement

The parties hereto agree that this Agreement sets forth all the promises, agreements and understandings between them with respect to the right and license to install, operate and maintain the Business in the Licensed Location. There are no promises, agreements or understandings, either oral or written, between them regarding such matters other than as is set forth herein. It is further agreed that any amendment or modification to this Agreement shall not be binding unless such amendment or modification is reduced to writing and signed by both parties.

15. Captions

The captions of the several sections of this Agreement are not part of the text hereof and shall be ignored in construing this Agreement. They are intended only as aids in locating various provisions hereof.

16. Severability

Each provision contained in this Agreement shall be independent and severable from all other provisions contained herein, and the invalidity of any such provisions shall in no way affect the enforceability of the other provisions.

17. Governing Law

This Agreement shall be governed and controlled by the laws of the Province of Quebec.

18. Notices

All notices and communications hereunder shall be in writing and signed by a duly authorized representative of the party making the same. All notices shall be deemed effective when delivered personally or when deposited in Canada by registered mail, return receipt requested, postage prepaid is confirmed upon transmission by facsimile, addressed as follows:

- (a) If to Licensor, then to:

Le Chateau Inc.
8300, Decarie Boulevard
Montreal, Quebec H4P 2P5

Attention: Director, Real Estate
Facsimile: (514) 738-3670

- (a) If to Licensee, then to:

DAVIDs TEA Inc.
5775A Ferrier Street
Mont-Royal, QC H4P 1N3

Attention: David Segal
Facsimile: 514-739-0200

The names and addresses for the purpose of this paragraph may be changed by giving notice of such change in the manner herein provided for giving notice. Unless and until

such written notice of change of address is actually received, the most recent name and address applicable under this Agreement may be used for all purposes hereunder.

19. Force Majeure

The performance of a party (except for payment of monies) shall be excused during the period and to the extent that such performance is rendered impossible, impractical or unduly burdensome due to acts of God, strikes, lockouts, or labour difficulty, unavailability of parts through normal supply sources, failure of any utility to supply its services for reasons beyond a party's control, explosion, sabotage, accident, riot or civil commotion, act of war, fire or other casualty, or any other cause beyond the reasonable control of the party whose performance is to be excused.

20. Language

The parties hereto acknowledge that they have required that the present document be drawn up in the English language. Les parties déclarent qu'elles ont exigée que ce document soit rédigé en langue anglaise.

IN WITNESS WHEREOF the parties hereto have executed and delivered this Agreement.

LE CHATEAU INC.

By: /s/ Emilia Di Raddo
Emilia Di Raddo, CA
President

By: /s/ Lee Albert
Lee Albert

We have authority to bind the Corporation.

DAVIDs TEA INC.

By: /s/ David Segal
David Segal
President

I have authority to bind the Corporation.

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CORPORATE RESOLUTION

EXTRACT FROM THE RESOLUTION OF THE BOARD OF DIRECTORS OF LE CHATEAU INC. DATED OCTOBER 6, 2000.

RESOLVED:

THAT

- (1) either Herschel H. Segal acting together with any other officer of the Corporation or with the Director, Real Estate of the Corporation, or
- (2) the President together with the Director, Real Estate,

be and are hereby authorized to sign, on behalf of the Corporation, all offers to lease and leases for premises to be leased by the Corporation, as well as all other documents of any nature whatsoever relating thereto, including any documents amending or terminating such offers to lease or leases, the whole in such form and on such terms and conditions as the aforesaid signatories may, in their sole discretion, approve, such approval to be conclusively evidenced by their execution of such offers to lease, leases or other documents, as the case may be.

Certified to be a true copy of a resolution adopted by the board of directors of Le Château Inc., the 6th. day of October 2000, and further that the said Resolution is in full force and effect as of the date hereof.

Dated this 22nd day of February 2011.

/s/ Emilia Di Raddo
Emilia Di Raddo, CA
Secretary

CORPORATE RESOLUTION

EXTRACT FROM THE RESOLUTION OF THE BOARD OF DIRECTORS OF DAVIDsTEA INC. DATED MARCH 11, 2001.

RESOLVED:

THAT

- (1) the President David Segal,

be and is hereby authorized to sign, on behalf of the Corporation, all offers to lease and leases for premises to be leased by the Corporation, as well as all other documents of any nature whatsoever relating thereto, including any documents amending or terminating such offers to lease or leases, the whole in such form and on such terms and conditions as the aforesaid signatories may, in their sole discretion, approve, such approval to be conclusively evidenced by their execution of such offers to lease, leases or other documents, as the case may be.

Certified to be a true copy of a resolution adopted by the board of directors of DAVIDsTEA INC, the 11th day of March, 2011, and further that the said Resolution is in full force and effect as of the date hereof.

Dated this 11th day of March 2011.

/s/ David Segal
David Segal
Secretary

5775 Ferrier Furniture Description	Current Location	Property of number	To be removed or kept
Knoll Desk	Office 1	1000	Keep
Knoll Desk	Office 1	1001	Keep
Knoll Desk	Office 1	1002	Keep
Book Shelf	Office 1	1003	Keep
Book Shelf	Office 1	1004	Keep
Book Shelf	Office 1	1005	Keep
Book Shelf	Office 1	1006	Keep
Black 2 Drawer Filing Cabinet	Office 1	1007	Keep
Knoll Ped	Office 1	1008	Keep
Black Guest Chair	Office 1	1009	Keep
Desk With Return	Office 2	1010	Keep
Round Table	Office 2	1011	Keep
Credenza 2 Piece	Office 2	1012-1013	Keep
Rectangle Desk	Le Chateau Security	1014	Keep
Credenza	Le Chateau Security	1015	Keep
Monitor Cabinet	Le Chateau Security	1016	Keep
Rectangle Desk	Office 3	1017	Keep
Rectangle Desk	Office 3	1018	Keep
Rectangle Desk	Office 3	1021	Keep
Book Shelf	Office 3	1022	Keep
3 Drawer Filing Cabinet	Office 3	1026	Keep
Desk With Return	Office 4	1027	Keep
Book Shelf	Office 4	1028	Keep
Book Shelf	Office 5	1033	Keep
3 Drawer Filing Cabinet	Office 5	1034	Keep
Desk With Return	Office 5	1037	Keep
Book Shelf	Office 6	1038	Keep
Black Office Chair	Office 6	1039	Keep
Knoll Desk	Office 7	1040	Keep
Knoll Desk	Office 7	1041	Keep
Knoll Ped	Office 7	1043	Keep
Knoll Ped	Office 7	1044	Keep
Desk With Return	Office 8	1045	Keep
Book Shelf	Office 8	1046	Keep
Black Leather Office Chair	Office 8	1047	Keep
Desk With Return	Office 9	1048	Keep
Book Shelf	Office 9	1049	Keep

5775 Ferrier Furniture Description	Current Location	Property of number	To be removed or kept
Knoll Desk	Office 10	1050	Keep
Knoll Oval Table	Office 10	1051	Keep
Knoll Ped	Office 10	1052	Keep
Knoll Desk	Office 11	1053	Keep
Knoll Desk	Office 11	1054	Keep
Knoll Desk	Office 11	1055	Keep
Knoll Desk	Office 11	1056	Keep
Knoll Desk	Office 11	1057	Keep
Knoll Desk	Office 11	1058	Keep
Knoll Ped	Office 11	1059	Keep
Knoll Ped	Office 11	1060	Keep
Knoll Desk	Office 13	1061	Keep
Knoll Desk	Office 13	1062	Keep
Knoll Desk	Office 13	1063	Keep
Knoll Desk	Office 13	1064	Keep
Knoll Ped	Office 13	1065	Keep
Knoll Ped	Office 13	1066	Keep
Knoll Ped	Office 13	1067	Keep
Knoll Ped	Office 13	1068	Keep
Black Plastic Chair	Office 13	1069	Keep
Book Shelf	Office 13	1070	Keep
Rectangle Desk	Office 14	1072	Keep
Book Shelf	Office 14	1073	Keep
Knoll Desk	Office 16	1081	Keep
Knoll Ped	Office 16	1082	Keep
Book Shelf	Office 16	1083	Keep
Book Shelf	Office 16	1084	Keep
Book Shelf	Office 16	1085	Keep
Book Shelf	Office 16	1086	Keep
Book Shelf	Office 16	1087	Keep
Knoll Desk	Office 17	1088	Keep
Knoll Ped	Office 17	1089	Keep
Knoll Desk	Office 18	1091	Keep
Knoll Ped	Office 18	1092	Keep

Round Table	Office 18	1093	Keep
Knoll Desk	Office 19	1094	Keep
Knoll Desk	Office 19	1095	Keep
Knoll Ped	Office 19	1096	Keep
Knoll Ped	Office 19	1097	Keep

5775 Ferrier Furniture Description	Current Location	Property of number	To be removed or kept
Book Shelf	Office 19	1098	Keep
Black Leather Office Chair	Office 19	1099	Keep
Round Caf. Table	Office 20	1102	Keep
Round Caf. Table	Office 20	1103	Keep
Round Caf. Table	Office 20	1104	Keep
Round Caf. Table	Office 20	1105	Keep
Round Caf. Table	Office 20	1106	Keep
Round Caf. Table	Office 20	1107	Keep
Square Caf. Table	Office 20	1108	Keep
Square Caf. Table	Office 20	1109	Keep
Grey Chair	Office 20	1110	Keep
Grey Chair	Office 20	1111	Keep
Grey Chair	Office 20	1113	Keep
Grey Chair	Office 20	1114	Keep
Grey Chair	Office 20	1115	Keep
Grey Chair	Office 20	1116	Keep
Grey Chair	Office 20	1117	Keep
Grey Chair	Office 20	1118	Keep
Grey Chair	Office 20	1119	Keep
Grey Chair	Office 20	1120	Keep
Grey Chair	Office 20	1121	Keep
Grey Chair	Office 20	1122	Keep
Grey Chair	Office 20	1123	Keep
Grey Chair	Office 20	1124	Keep
Grey Chair	Office 20	1125	Keep
Grey Chair	Office 20	1127	Keep
Grey Chair	Office 20	1128	Keep
Grey Chair	Office 20	1129	Keep
Grey Chair	Office 20	1130	Keep
Grey Chair	Office 20	1131	Keep
Grey Chair	Office 20	1133	Keep
Grey Chair	Office 20	1134	Keep
Fridge	Office 20	1135	Keep
Fridge	Office 20	1136	Keep
Black Plastic Chair	Office 20	1137	Keep
Blue Guest Chair	Office 20	1138	Keep
Garbage Can With Lid	Office 20	1139	Keep
Garbage Can With Lid	Office 20	1140	Keep

5775 Ferrier Furniture Description	Current Location	Property of number	To be removed or kept
Desk With Return	Office 21	1143	Keep
Desk With Return	Office 21	1144	Keep
Black Cabinet	Office 21	1147	Keep
Knoll Ped	Reception	1150	Keep
Garbage Can With Lid	Women's Bathroom	1151	Keep
Garbage Can With Lid	Men's Bathroom	1152	Keep

[illegible]

le chateau
5775 ferrier
WEZZANNE OFFICES
scale: 1/16"=1'-0"

LICENSE AGREEMENT

This Agreement (the “**Agreement**”) made this 18 day of June 2008, by and between **Le Château Inc.** (the “**Licensor**”) and **DAVIDs TEA INC.** (the “**Licensee**”).

WITNESSETH:

That for and in consideration of the mutual promises and subject to the terms and conditions set forth herein, Licensor hereby grants to Licensee the personal right and license to install, maintain and operate, in accordance with the provisions hereinafter set forth, a tea shop and the sale of related tea products as outlined on Schedule “B” attached hereto and for no other purpose trading only under the name **DAVIDs TEA INC.** (the “**Business**”) and for no other use, in a portion of those premises located at 336-340 Queen Street West, Toronto, Ontario, which premises (the “**Premises**”) are leased to Licensor. Licensor and Licensee acknowledge and agree that Licensee shall have the right to exercise its rights contained herein, subject and subordinate to the provisions of that certain lease for the Premises dated September 15, 1987 between Licensor, as tenant, and Katz Bros. Holding Co. (the “**Landlord**”), as landlord, as amended by an amending agreement dated September 26, 2005 and as further amended, extended, renewed and/or supplemented from time to time (collectively, the “**Lease**”). Licensor acknowledges having delivered, and Licensee acknowledges having received, a copy of the Lease prior to execution of this Agreement by Licensee.

1. Term

- (a) The Licensee will have and hold the Licensed Location (hereinafter defined) for the term (the “**Term**”) which, unless sooner terminated, is the period commencing on the date (the “**Commencement Date**”) which is the earliest of: (i) the date the Licensee opens its business to the public in any part of the Licensed Location, or (ii) the day following the expiry of the fixturing period (being a period not to exceed **Sixty (60)** days (the “**Fixturing Period**”) after the date on which the Licensee is allowed access to the Licensed Location (the “**Delivery Date**”) in which to complete Licensee’s Work (as defined in Section 6 herein); or (iii) the 1st day of October, 2008 and ending on the **30 day of September, 2011**. Within a reasonable time after the Commencement Date occurs, the Licensor will confirm the Commencement Date by notice to the Licensee and such confirmed Commencement Date will apply to this Agreement:
- (b) During the Fixturing Period, the Licensee shall comply with each and every one of the terms, covenants and conditions contained herein save and except for the payment of the License Fee. Without limiting the foregoing, the Licensee will not be permitted access to all or any part of the Licensed Location unless and until it delivers requisite evidence of its insurance in accordance with Section 9 below.

(c) Provided:

- (i) the Licensee has paid the Licensee Fee payments required throughout the Term as and when due and punctually observed and performed each of the terms, covenants and conditions to be observed and performed by it in accordance with the terms of this License Agreement and the Licensee is not in default under this Agreement and has not repeatedly been in default hereunder;
- (ii) the Licensee has delivered a written notice to Licensor electing to extend the Term not later than six (6) months prior to the end of the initial Term; and
- (iii) the Licensor has negotiated and executed an extension and/or renewal agreement for the Lease with the Landlord for a term to expire no earlier than the last day of the Extension Term (as defined below) on terms acceptable to the Licensor in its sole and absolute discretion prior to **May 30, 2011** (the “**Renewal Agreement**”). Notwithstanding the foregoing or anything else contained herein, the Licensee acknowledges and agrees that the Licensor is under no obligation to extend and/or renew the term of its Lease beyond its scheduled expiration date of **July 31, 2014** and/or to enter into the Renewal Agreement. If the Licensor does extend or renew the term of the Lease, the Licensor may do so on such terms and conditions (including, without the limitation, the length of the renewal and/or extension) which are acceptable to the Licensor in its sole and absolute discretion and the Licensor is under no obligation to extend and/or renew the Lease. Subject to the foregoing, if the Renewal Agreement is executed, the Licensor shall apprise the Licensee that the Renewal Agreement was executed,

then, the Licensor will then grant to the Licensee the one-time, personal and non- assignable right to extend the Term for a period of two (2) years commencing on **October 1, 2011** (the “**Extension Term**”) whereby all of the terms and conditions that pertained during the initial Term will apply during the Extension Term, except: (i) there shall be no further right to extend and/or renew; (ii) there shall be no Fixturing Period and the Licensee shall accept the Licensed Location in an “as-is-where-is condition”; and (iii) the License Fee for the Extension Term which shall be agreed upon between the Licensor and the Licensee at least three (3) months prior to the commencement of the Extension Term based upon a rate equal to the fair market value rate for similar premises having a similar size and similar location in the vicinity, but in no instance shall the License Fee be less than what the Licensor paid during the last year of the Term.

- (d) If the Licensee and the Licensor fail to agree in writing on the new Licence Fee for the Extension Term for any reason whatsoever by no later than three (3) months prior to the expiration of the initial Term then, notwithstanding all previous negotiations between the Licensor and Licensee, the Licensee’s right to extend shall be null and void and of no further force or effect.
- (e) If the Licensee continues to use all or part of the Licensed Location after the Term with the prior written consent of the Licensor but without executing a new license agreement or extension agreement, there is no tacit renewal and/or extension of this Agreement

despite any statutory provision or legal presumption to the contrary. The Licensee will use the Licensed Location as a licensee from month to month at a monthly license fee payable in advance on the first day of each month equal to the total of: (i) 150% of the monthly amount of License Fee for the last month of the Term; and (ii) one twelfth (1/12th) of all other amounts payable by the Licensee in the last full twelve (12) month period, and the Licensee will comply with the same terms, covenants and conditions as are in this Agreement, provided that notwithstanding the foregoing or anything else contained herein, the Licensor may, in its sole and absolute discretion and without liability to the Licensor, at any time terminate said overholding on five

(5) business days prior notice to the Licensee. Notwithstanding the foregoing, nothing contained herein shall be construed to give Licensee the right to hold over at any time, and the Licensor may exercise any and all remedies at law or in equity to recover possession of the Licensed Location, as well as any damages incurred by Licensor due to the Licensee's failure to vacate the Licensed Location in a timely manner and forthwith deliver possession to the Licensor as provided herein. Nothing herein shall limit the liability of the Licensee in damages or otherwise.

2. Payments

- (a) Licensee shall pay to Licensor throughout the Term as a license fee (the "**License Fee**") an annual amount of: (i) Ninety One Thousand Seven Hundred and eighteen Dollars (\$91,718.00) per year, based on a charge of **\$121.00** per square foot per annum of the Licensed Location, payable monthly in advance in equal instalments of Seven Thousand Six Hundred and Forty Three Dollars and Seventeen Cents (**\$7643.16**) on the first day of each month during the Term.
- (b) The License Fee and all other amounts hereunder shall be payable by the Licensee without abatement, demand or set-off. Payment shall be prorated on a daily basis for any partial month.
- (c) The Licensee will deliver to the Licensor at the beginning of each rental year, a series of monthly post-dated cheques for the rental year for the total of monthly payments of License Fee.
- (d) In addition to the License Fee, the Licensee shall also pay, at the earlier of the time provided for in the applicable legislation or at the time such License Fee is required to be paid under this Agreement, all goods and services, value added, sales and/or similar taxes and/or levies from time to time (collectively, the "**Sales Taxes**") calculated on or in respect of amounts payable by the Licensee under this Agreement from time to time. The Licensor shall have the same rights and remedies for the recovery of such amounts payable as Sales Taxes as it has for amounts payable as the License Fee under this Agreement.
- (e) [**Save as expressly set out to the contrary herein,**] this Agreement is intended by the parties to be an absolutely net license to the Licensor and the Licensor shall not be responsible during the Term for any costs, charges, expenses or outlays of any nature whatsoever arising from or relating to the Licensed Location. Any amount and any

obligation that is not expressly declared herein to be that of the Licensor with respect to the Licensed Location shall be deemed to be a covenant and obligation of the Licensee to be performed and paid for by the Licensee.

3. Deposit

Concurrently with the execution and delivery of this Agreement, the Licensee shall deposit with the Licensor N/A Dollars (\$N/A) on account of the first month's License Fee and with the balance to secure the Licensee's performance pursuant to the provisions of this Agreement. The Licensor may, at the Licensor's election, apply the deposit to any amounts due and unpaid by the Licensee hereunder. The balance of the deposit shall be retted to the Licensee, without interest, within two weeks after the expiry of this Agreement provided that the Licensee is not then in default hereunder.

4. Use & Occupancy

- (a) The license granted under this Agreement shall apply with respect only to use approximately **Seven hundred and Fifty Eight (758) square feet** of the Premises whose approximate location is shown on Schedule "A" hereto the "**Licensed Location**"). Licensee shall have the right to use the Licensed Location solely for the Business of selling **at retail, tea and by products; tea accessories; hot and cold beverages; and snack products but in any event cooking will be prohibited in the Licensed Location** in accordance with and subject to all applicable laws and the terms and conditions of the Lease and for no other purpose. Throughout the Term, the Licensee shall diligently and continuously conduct the Business in the Licensed Location. Any solicitation of customers shall be done in a professional and courteous manner. Licensee, its employees and/or agents shall not do or fail to do anything in the Licensed Location and/or the Premises, which would violate the Lease. Licensor may, from time to time, give Licensee notice of any act or omission by Licensee, its employees or agents that is, would or could be a violation of the Lease. Upon Licensee's receipt of notice, Licensee, its employees and/or agents shall promptly cease and refrain from doing at all future times any and everything that Licensor advises Licensee is, would or could be a violation of this Agreement and/or the Lease.
- (b) Licensee shall continuously, actively and diligently carry on and the Licensed Location shall be used only for the Business in the whole of the Licensed Location during the entire Term under the trade name "**DAVIDs TEA INC.**" in a first class and proper manner and for no other purpose and under no other trade name. Licensee's use of the Licensed Location shall be subject to such limitations and restrictions as Licensor may, from time to time, impose (including hours of operation during which the Business and/or the Premises are open to the public). The Licensee shall not be entitled to a key to the Premises and the Licensee shall have no right of access to the Licensed Location before or after the Licensor's business hours from time to time except with the express prior written permission of the Licensor. Except in the case of an emergency, Licensor's personnel shall not block or unduly restrict access to the Licensed Location. If the Licensee breaches the use clause in any respect, the Licensor shall, in addition to its other rights and remedies herein, have the immediate right to terminate this Agreement without

notice and to recover from the Licensee damages for breach of covenant and loss of all revenue arising from and after the termination.

- (c) In the conduct by the Licensee of the Business at the Licensed Location, the Licensee shall:
 - (i) conduct the Business in the Licensed Location during such hours and on the days that the Licensor requires or expressly permits in writing from time to time and at no other time but the Licensee is not required to carry on business when prohibited by a governmental law or by-law regulating the hours of business;
 - (ii) operate the Business in a lawful manner in accordance with al Applicable Laws (as hereafter defined) with due diligence and efficiency as a first-rate merchandising activity;

- (iii) own, install and keep in good order and condition, free from liens, security interests or rights of third parties, all of the Licensee's fixtures and equipment;
 - (iv) maintain at the Licensed Location an adequate stock and an adequate sales force to serve properly all customers of the said business;
 - (v) warehouse, store or stock in the Licensed Location only such goods, wares and merchandise as the Licensee offers for sale in the Licensed Location;
 - (vi) use for office, clerical or other non-selling purposes, only such reasonable minimum amount of space at the Licensed Location as may be required for the conduct of the said business from time to time;
 - (vii) not, nor shall it cause, suffer or permit its employees or agents to, solicit business or display any merchandise anywhere in the Premises and/or in any of the common areas or facilities at any time other than the Licensed Location without the prior written consent of the Licensor, which consent may be unreasonably withheld;
 - (viii) not cause, permit or suffer any machines selling merchandise or vending services, including vending machines or machines operated by coins, credit or debit cards or otherwise, to be present in the Licensed Location; and
 - (ix) not use any loudspeakers, television, phonographs, speakers, radios or other similar devices without the prior written consent of the Licensor, which consent may be unreasonably withheld.
 - (x) Clean on a regular basis the washrooms and keep them in a sanitary condition.
- (d) Without expanding upon the definition of Business, no part of the Licensed Location will be used nor shall the Licensee permit any portion of the Licensed Location to be used at any time for any of the following uses (or any uses incidental thereto):

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- (i) adults only, immoral, pornographic and/or sexual related activities;
- (ii) the sale of second hand goods or fire sale stock or bankruptcy stock; the sale of firecrackers or fireworks; an auction, bulk sale, liquidation sale, "going out of business" or bankruptcy sale, or warehouse sale;
- (iii) any sale or business conduct which in the Licensor's opinion is likely to lower the character of the Premises or any practice of unethical or deceptive advertising or selling procedures;
- (iv) any unlawful, criminal or unlicensed use;
- (v) the storage of goods not sold on or from the Licensed Location; and/or
- (vi) the sale, rental and/or distribution of any clothing or clothing accessories, cigarettes, cigars, tobacco or any form of tobacco products, alcohol and/or alcoholic beverages.

5. Licensee's Employees

- (a) All persons employed by Licensee in or about or in connection with, the operation of the Licensed Location shall be Licensee's employees for all purposes. Licensee shall, at its own cost and expense, maintain worker's compensation coverage, unemployment compensation coverage and any other coverage, which may be required by law with respect to Licensee's employees.
- (b) Licensee's employees while working at the Licensed Location shall be entitled to use toilets provided by Licensor for the convenience of Licensor's employees subject to any rules and regulations promulgated by Licensor. Licensor and Licensee shall prohibit their respective employees from soliciting the other's employees.

6. Improvements, Additions, and Signs

Licensee, at its sole cost and expense, shall construct and furnish all fixtures, signage, equipment and furnishings (including but not limited to telephone and electric lines) which it deems necessary or desirable for its operations at the Licensed Location and shall pay for all costs of modification of the existing space or the installation of its fixtures, equipment and furnishings (collectively, the "**Licensee's Work**"). Licensee shall not take any action, which would violate the Lease. Licensee shall use materials of equal or better quality than those used in the construction of the Premises and comply with all applicable laws, by-laws, orders and regulations of federal, provincial and municipal authorities and with any direction given by a public officer pursuant to law and with all regulations of any fire underwriters association having jurisdiction (collectively, the "**Applicable Laws**") and each of the Licensor's and the Landlord's requirements from time to time. Licensee shall not make any modification nor shall it attach any fixtures, signage or equipment to the Premises without Licensor's prior written approval, such approval not to be unreasonably withheld or delayed. Licensee shall submit plans and specifications in reasonable detail (including, without limitation, proposed elevations and design detail, electrical and mechanical systems, colour and proposed materials) of the proposed

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improvements to each of the Licensor (such approval not to be unreasonably withheld or delayed) and the Landlord for its written approval prior to doing any work. Licensee shall obtain or cause to be obtained all building permits, licenses, temporary and permanent certificates of occupancy and other governmental approvals which may be required in connection with the Licensed Location. Any work done pursuant to this article shall be at times, which are preapproved by Licensor acting reasonably and the Landlord. The Licensor may require Licensee to temporarily cease carrying on the whole or part of the work, and Licensee agrees to immediately cease work, provided that Licensor prescribes a time or times during which such work may be continued by Licensee.

7. Maintenance and Repair

Licensee, at its sole cost and expense, shall take care of and maintain the Licensed Location in good order and repair. Licensor shall, at its sole cost and expense, take care of and maintain in good working order or cause to be maintained, in good working order all portions of the Premises other than the Licensed Location, including without limitation, plumbing, electrical equipment (except any equipment in the Licensed Location and any equipment installed by Licensee), heating, air conditioning, doors, windows, and all other structural portions of the Premises and to make any necessary repairs with reasonable diligence, provided, however, that: (a) the preceding shall not obligate Licensor to undertake any obligations greater than or different from those imposed on Licensor under the Lease, and (b) such work for which Landlord is responsible for maintenance and repairs, Licensor's sole responsibility shall be to use reasonable efforts to notify the Landlord to perform such repairs. Licensee and its contractors shall be granted access during normal business hours to enter the Premises for the purpose of servicing, maintaining and otherwise performing service in connection with Licensed Location; provided, however, that they shall in no event disrupt Licensor's business. Licensee shall have access to the Licensed Location in the event of emergencies, provided, however, that Licensee shall reimburse Licensor for any costs incurred by Licensor to grant such access or resulting therefrom.

8. Services

Licensor agrees to ^furnish or cause to be furnished to Licensee during the Term the following services of a quality and at a level equal to that provided to the Premises in which the Licensed Location is located: (a) janitorial services for aisles and floors adjacent to the Licensed Location and (b) heating, air-conditioning and electricity for the Licensed Location Licensor shall not be liable for any damages arising out of the failure to provide such services, whether or not the interruption or cessation is caused by the negligence of Licensor, its agents, servants, partners, independent contractors, employees, invitees, customers and/or any other person for whom Licensor is in law responsible.

The Licensee will at its sole cost and expense and in a manner pre-approved by each of the Licensor and Landlord connect and assume responsibility of the separate check meter, as of the Delivery Date, with the appropriate provider of service for the hot water tanks located within and which service the Licensed Location.

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9. Insurance

- (a) Licensee shall carry its own property insurance on its improvements to the Licensed Location and all other property in the Licensed Location. Licensee shall also keep in force during the term of this Agreement public liability insurance with liability limits of not less than Two Million Dollars (\$2,000,000.00) combined single limit for bodily injury and/or for property damage. Licensor shall receive ten (10) days notice of cancellation of any such insurance policy. All such insurance shall be with an insurer and provide such coverage as would be obtained by a prudent operator of the Business in the Licensed Location and shall otherwise be in form and substance satisfactory to the Licensor, acting reasonably. Licensee shall furnish Licensor with a certificate evidencing such coverage at least ten (10) days prior to receiving access to the Licensed Location and upon request from time to time during the Term.
- (b) If the Licensee fails to obtain the insurance required under this paragraph 9 and such failure is not cured within two (2) business days following written notice from the Licensor, the Licensor shall, in addition to its other rights and remedies herein, be entitled to obtain such insurance coverage (but without any obligation to do so) and the costs thereof and all other reasonable expenses incurred shall be payable by the Licensee to the Licensor upon demand.
- (c) Each of the Licensee's insurance policies shall contain:
 - (i) a waiver by the insurer of any rights of subrogation to which such insurer might otherwise be entitled against the Licensor and the Landlord or any person for whom the Licensor and the Landlord is in law responsible; and
 - (ii) an undertaking by the insurer that no material change adverse to the Licensor or the Licensee will be made and the policy will not lapse or be terminated, except after not less than thirty (30) days' prior written notice to the Licensor.
- (d) Licensee shall, at its own cost and expense, comply with all regulations or orders of any insurance company or companies (including the Licensor's and Landlord's) relating to its operation of the Business.

10. Licensee Indemnity

Licensee shall indemnify and hold harmless each of the Landlord and the Licensor and each of its agents, servants, employees and any other person for whom it is in law responsible (collectively, the "**Indemnified Parties**") from any and all losses, claims, causes of action, actions, damages, expenses and liability (collectively, the "**Claims**"), including reasonable legal fees, sustained or incurred by any of the Indemnified Parties as a result of any breach of this Agreement and/or the Lease by the Licensee, any Claims which are based upon or arise out of illness or injury, including death, damage, loss, theft, vandalism or damage to any property and/or any Claims, which arise from or in any manner out of any act or omission of Licensee, its agents, partners, independent contractors, employees, servants, invitees, customers and/or any other person for whom Licensee is in law responsible from time to time. Licensee shall immediately respond and assume the investigation, defence and expense of all Claims arising out

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of or in connection with such occurrences provided Licensor may, in its sole and absolute discretion, join in such defence with counsel of its choice. Notwithstanding any other provisions contained herein or at law, each of the Indemnified Parties shall not be liable for and the Licensee irrevocably and unconditionally releases each of the Indemnified Parties from any and all Claims, including without limitation, those Claims based upon or arising out of illness or injury to a person, including death and/or relating to damage, loss, theft, vandalism or destruction of property at any time in, on or about the Premises, including the Licensed Location regardless of the cause therefore and without limiting the generality of the foregoing, there shall be no abatement from or reduction of the License Fee and/or any other amounts payable by the Licensee hereunder. The provisions of this Section 10 shall survive the expiration and/or earlier termination of this Agreement for any reason.

11. Taxes

For the purposes of this Agreement, “**Pro Rata Share**” means a fraction having as its numerator the area of the Licensed Location and having as its denominator the area of the Premises. Licensee shall pay to the Licensor its Pro Rata Share of all business taxes or assessments levied against or attributed to the Premises and all costs and expenses incurred by the Licensor from time to time in obtaining or attempting to obtain a reduction of business taxes. Licensee shall also pay (a) all taxes assessed by any taxing authority because of Licensee operations, including business taxes; and (b) any license or other fee incidental to the conduct of its business, whether billed directly to Licensee or Licensor. All of the foregoing amounts, including, business taxes and assessments are collectively referred to as “**Taxes**”. Licensor agrees to use reasonable efforts to forward to Licensee all tax bills (other than realty tax bills), license notices, and the like that are payable by Licensee but are received by Licensor.

12. Exercise of Licensee Rights

The Licensee covenants and agrees in favour of the Licensor:

- (a) that in exercising its rights under this Agreement, the Licensee shall act in a manner consistent with the intent of this Agreement and in a prudent, expeditious and reasonable manner so as to prevent interference with the balance of the Premises;
- (b) that the enjoyment or use at any time of the license herein granted shall be subject to such regulations, rules, restrictions and limitations as may be imposed from time to time by the Licensor, acting reasonably;
- (c) that it shall not enter onto, occupy or use the Licensed Location for any purpose other than the Business and that it will keep the Licensed Location in a clean and well ordered condition, and not permit any rubbish, debris or other similar material to be stored or to accumulate thereon;
- (d) to pay the Licensee Fee and all Sales Taxes thereon as well as all other amounts payable hereunder in its entirety and in a timely manner without any setoff, deduction or abatement;

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- (e) that it will comply at all times with all Applicable Laws affecting the Licensed Location and use thereof, including, without limitation, observing all environmental laws and including obtaining all necessary permits and licenses, and to indemnify and save the Licensor harmless from any liability or costs suffered by the Licensor as a result of the Licensee’s failure to do so;
 - (f) that the Licensee has inspected the Licensed Location and all improvements thereon and has conducted its due diligence and accepts the Licensed Location in an “as is where is” condition without any representations or warranties whatsoever;
 - (g) that the Licensee may not at any time assign, sub-license, sell, convey, transfer, charge, part with possession or control, mortgage, pledge and/or encumber this Agreement and/or all or any portion of the Licensed Location or transfer or permit a transferee or any licensee or concessionaire to conduct any business in or about the Licensed Location (each of the foregoing being a “**Transfer**” and collectively the “**Transfers**”) without the prior written consent of the Licensor (which consent may be unreasonably withheld by the Licensor in its sole and absolute discretion). If the Licensor in its sole and absolute discretion consents to a Transfer: (i) the Licensor’s acceptance of a payment and/or performance of any of the terms, covenants and conditions of this Agreement from and/or by a recipient of the Transfer is not to be considered a release of Licensee from the further performance of any of the terms, covenants and conditions of this Agreement and any amendment, supplement, renewal and/or extension hereof from time to time; (ii) documents evidencing the Licensor’s consent to a Transfer, if consented to by the Licensor, will be prepared by the Licensor or its solicitors, and all related legal costs will be paid by Licensee to the Licensor or its solicitors, within ten (10) days after receipt of an invoice from the Licensor; and (iii) the consent shall be conditional on the prompt execution and delivery by Licensee and the recipient of the Transfer of an agreement directly with the Licensor to assume and be bound by all the terms, covenants and conditions contained in this Agreement as if the recipient of the Transfer had originally executed this Agreement. Despite any Transfer permitted or consented to by the Licensor, the Licensee will remain jointly and jointly and severally liable with the recipient of the Transfer and Licensee will not be released from compliance with any of the terms, covenants and conditions of this Agreement and any amendment, supplement, renewal and/or extension hereof from time to time; and
 - (h) that each of this Agreement and the Licensee’s rights herein is subject to and subordinate to the Lease and the Licensor shall have no liability whatsoever for termination of this Agreement and/or with respect to the Licensed Location arising out of the Lease or any action or omission under the Lease by the Landlord or party claiming under the Landlord. The Licensor shall forthwith do execute and deliver any documentation to this effect required by the Landlord from time to time. If the Lease expires or is terminated for any reason, this Agreement shall be concurrently terminated without liability to the Licensor.

13. Default and Early Termination

An “**Event of Default**”, a “breach” or a “**default**” hereunder shall occur whenever: (i) the Licensee fails to pay the License Fee or other sums due under this Agreement in its entirety on

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the day or dates appointed for the payment thereof, whether or not any notice of such failure is given to the Licensee or any demand for payment has been made by the Licensor; (ii) the Licensee fails to observe or perform any of the terms, covenants or conditions of this Agreement to be observed or performed by the Licensee (other than the payment of the License Fee or other sums and the terms, covenants and conditions set out below under subparagraphs (iii) to (x), inclusive, of this paragraph, for which no notice is required) and (I) fails to remedy such failure within ten (10) days (or such shorter period as may be provided in this Agreement) or (II) if such failure cannot reasonably be remedied within ten (10) days or such shorter period and the Licensee fails to commence to remedy such failure within such ten (10) days or such shorter period or thereafter fails to proceed diligently to remedy and does remedy such failure, in either case after notice in writing from the Licensor to the Licensee; (iii) the Licensee or any person occupying or conducting business in all or any part of the Licensed Location becomes bankrupt or insolvent or takes the benefit of any statute for bankrupt or insolvent debtors or makes any proposal, assignment, arrangement or compromise with its creditors, or if a petition of bankruptcy is filed against the Licensee or any such person, or any steps are taken or proceedings commenced by anyone or any court or governmental body for the dissolution, winding-up or other termination of the Licensee’s or any such person’s existence or the liquidation of its assets; (iv) a trustee, receiver, monitor, liquidator, receiver/manager or like person is appointed with respect to the business or assets of the Licensee or any other occupant of all or any part of the Licensed Location; (v) the Licensee makes a sale in bulk of any of its assets wherever situated other than in conjunction with a Transfer approved in writing by the Licensor and made pursuant to all applicable legislation; (vi) this Agreement or any of the Licensee’s assets are seized or taken under any writ of execution or similar process or if any encumbrances of this Agreement or the Licensee’s assets shall take any action to enforce its security; (vii) the

Licensee purports to make or makes any Transfer of this Agreement and/or the Licensed Location or any part thereof is occupied or used by any person or for any business or purpose other than in compliance with the provisions of this Agreement or if the Licensee suffers to exist, creates or incurs any charge, privilege, pledge, security interest or other encumbrance whatsoever on any of its moveable effects or chattels or trade fixtures situated in the Licensed Location; (viii) the Licensee abandons or attempts to abandon the Licensed Location or sells or disposes of its goods or chattels or removes them from the Licensed Location so that there would not in the event of such sale, disposal or removal be sufficient goods and chattels of the Licensee on the Licensed Location to conduct the Business, or the Licensed Location or any part thereof becomes vacant or unoccupied for a period of five (5) consecutive days or more; (ix) the Licensee fails to continuously, actively and diligently conduct its business in the whole of the Licensed Location, fully fixtured, stocked and staffed and otherwise in compliance with this Agreement and all Applicable Laws; and/or (x) the Licensee causes any default or breach of the Lease.

14. Licensor's Remedies

- (a) If and whenever an Event of Default occurs, the Licensee shall be deemed to be in default under this Agreement and, without prejudice to any other rights or remedies which the Licensor may have under this Agreement at law, in equity and/or by statute, the full amount of the current month's and the next three (3) months' instalments of the License Fee and Taxes will immediately become due and payable to the Licensor and, in addition, the Licensor shall have the following rights and remedies, which are cumulative and not alternative and which may or may not be exercised immediately in the Licensor's sole

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and absolute discretion without liability to the Licensor for any Claims (including direct, indirect or consequential damages caused thereby):

- (i) to terminate this Agreement in respect of the whole or any part of the Licensed Location by written notice to Licensee. If this Agreement is terminated in respect of part of the Licensed Location, this Agreement shall be deemed to be amended by the appropriate amendments, and proportionate adjustments in respect of the License Fees and any other appropriate adjustments shall be made;
 - (ii) to enter the Licensed Location as agent of the Licensee and as such agent to relicense all and/or part(s) of the Licensed Location for whatever term and on whatever terms and conditions as the Licensor in its sole and absolute discretion may determine and to receive the license fees therefore and, as agent of the Licensee, to take possession of any property on the Licensed Location, to store such property at the expense and risk of the Licensee or to sell or otherwise dispose of such property in such manner as the Licensor may see fit without notice to the Licensee; to make such alterations to the Licensed Location as the Licensor may see fit to facilitate its re-licensing;
 - (iii) to remedy or attempt to remedy any default of the Licensee under this Agreement, at the Licensee's sole cost and expense, and to enter upon the Licensed Location for such purposes. No notice of the Licensor's intention to perform such covenants need be given to the Licensee;
 - (iv) to recover from the Licensee all damages and expenses incurred by the Licensor as a result of any Event of Default or any breach of the Licensee including, without limitation, if the Licensor terminates this Agreement, the cost of recovering the Licensed Location, solicitor's fees (on a solicitor and his client basis) and the amount of the License Fee and other sums required to be paid pursuant to this Agreement for the remainder of the Term (had it not been terminated), all of which amounts shall be immediately due and payable by the Licensee to the Licensor;
 - (v) suspend the supply to the Licensed Location of any benefit, service, utility or other service furnished by the Licensor until the Event of Default is cured; and/or
 - (vi) apply to the courts for an order of specific performance or mandamus or an injunction compelling the Licensee to perform its obligations under this Lease, the Licensee acknowledging that damages are not sufficient remedy.
- (b) It shall not be unreasonable for the Licensor to withhold its consent, approval and/or signature at any time when the Licensee is in default hereunder.
- (c) No failure of the Licensor: (i) to insist at any time upon the strict performance of any provision of this Agreement; or (ii) to exercise any option, right, power or remedy contained in this Agreement shall be construed as a waiver, modification or relinquishment thereof. A receipt by the Licensor of any sum in satisfaction of any obligation with knowledge of the breach of any provision hereof shall not be deemed a

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waiver of such breach. No waiver by the Licensor of any provision hereof shall be deemed to have been made unless expressed in writing signed by the Licensor. The waiver by the Licensor of a default under this Agreement is not a waiver of any other or subsequent default.

- (d) Notwithstanding any other provision of this Agreement, the Licensor may from time to time resort to any or all of the rights and remedies available to it in the event of any breach and/or event of default hereunder by Licensee, either by any provision of this Agreement, by statute or common law, all of which rights and remedies are intended to be cumulative and not alternative, and the express provisions hereunder as to certain rights and remedies are not to be interpreted as excluding any other or additional rights and remedies available the Licensor by statute or the general law. The Licensor shall not be liable to Licensee for any Claims whatsoever, howsoever caused by any acts or omissions of the Licensor in remedying or attempting to remedy any default.
- (e) All costs and expenses, including solicitors' fees and disbursements (on a solicitor and client basis), incurred by the Licensor in connection with compelling or attempting to compel Licensee to comply with its obligations hereunder (including, without limitation, legal correspondences and notices of default), the exercise of any remedy for a breach or event of default hereunder, recovery of possession of the Licensed Location, recovery of the License Fee or any other amount due hereunder, The Licensor performing any of Licensee's covenants or obligations herein or the enforcement of the provisions of this Agreement, incurred until repaid in full, shall be borne by Licensee and shall be paid by the Licensee to the Licensor upon demand along with the Licensor's administrative fees in connection therewith from time to time. Licensee shall indemnify the Licensor against all Claims (including legal fees on a solicitor and client basis) incurred in enforcing payment thereof and in obtaining possession of the Licensed Location after an Event of Default, or upon expiration or earlier termination of the Term or in enforcing any covenant, proviso or agreement of the Licensee herein contained.

15. Surrender Upon Termination

Upon any termination of this Agreement, whether at the end of the Term or otherwise, Licensee shall to the extent required to do so by the Licensee remove, with the notable exception of all items listed in Schedule "C" attached hereto, all its furniture, fixtures, signage, equipment, leasehold improvements and trade fixtures, make good any damage caused by such installation and/or removal, and surrender of the Licensed Location in "broom-clean" condition in as good condition as it received the same, loss or damage by fire or other casualty excepted.

16. Damage to Premises

If, by fire or other casualty, the Licensed Location or the Premises is destroyed or damaged to the extent that Licensee is deprived of occupancy or use of the same, Licensor agrees to notify Licensee as to whether it or the Landlord has decided to repair the damage or destruction resulting from any casualty as soon as possible, subject to the provisions of the Lease. If Licensor elects to repair such damage or destruction, Licensor shall proceed with due diligence to restore the Premises. If the Premises is repaired, whether by Licensor or the

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Landlord, Licensee shall proceed with due diligence to restore the Licensed Location to substantially the same condition as existed before such damage or destruction, and the sums payable hereunder with regard to such Licensed Location shall be abated from the date of such damage or destruction until restoration of the Premises and the Licensed Location is completed. If Licensor notifies Licensee that neither Licensor nor the Landlord of the Premises has decided to repair such damage or destruction, this Agreement shall be terminated. Nothing herein contained shall obligate Licensor to undertake any repair and/or restoration obligations not expressly imposed on it by the Lease.

17. Expropriation

In the event of expropriation of all or part of the Premises, neither Licensor nor Licensee shall have a claim against the other for the shortening of the term, or the reduction or alteration of the Business and/or the Premises. Licensor and Licensee shall each look only to the expropriating authority for compensation. Licensee and Licensee agree to cooperate with one another so that each is able to obtain the maximum compensation from the expropriating authority as may be permitted in law in relation to their respective interests in the Premises or Business. Nothing herein contained shall be deemed or construed to prevent Licensor or Licensee from enforcing and prosecuting a claim for the value of their respective interests in any expropriating proceedings.

18. Remodelling of Store

- (a) Licensee recognises that Licensor may in its sole and absolute discretion, from time to time, elect to remodel, rearrange and/or enlarge (hereinafter collectively referred to as "**Remodel**") all or part of the Premises. In the event that the Remodel materially adversely affects the Licensed Location, Licensor agrees to discuss with Licensee the Remodel to determine if the Licensed Location can be moved to another location mutually satisfactory to Licensee and Licensor within the Premises, provided that Licensor shall not require the Licensee to move the Licensed Location to the subbasement. If Licensee or Licensor does not agree for any reason and in writing on the new location within thirty (30) days of Licensor's proposal, this Agreement shall terminate effective on the date, which is two (2) weeks prior to Licensor's scheduled date for commencement of the Remodel (the "**Termination Date**") and the Licensor shall have no further obligations hereunder. In the event that this Agreement is terminated pursuant to the provisions of this paragraph 18, Licensee shall deliver up possession of the Licensed Location to Licensor on the Termination Date and the License Fees shall be apportioned to and paid on the Termination Date.
- (b) Notwithstanding the foregoing or anything else contained herein, the Licensee covenants and agrees that the Licensor may in its sole and absolute discretion terminate this Agreement upon thirty (30) days written notice to the Licensee if Licensor elects in its sole and absolute discretion to discontinue its business at the Premises or if the Licensor is required by Applicable Laws and/or the Landlord to perform work in the Premises which the Licensor is not prepared to do in its sole and absolute discretion. For greater certainty, nothing contained herein obligates the Licensor to ever conduct any operations or business in any portion of the Premises. Licensee shall treat all notices of

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discontinuance of store operations in strict confidentiality. Notices posted by Licensee at Licensed Location shall not reference store closing.

19. Security

Licensee acknowledges that: (a) Licensor is not an insurer of the Licensed Location; (b) Licensor does not undertake to provide any security for the Licensed Location; and (c) that it shall be Licensee's obligation to provide security for the Licensed Location.

20. Nature of Agreement

Licensee's rights herein are personal to the Licensee and that this Agreement does not and is not intended to create any interest in land. This Agreement does not create any interest in all or part of the Licensed Location and/or the Premises or a partnership or joint venture between the Licensor and Licensee nor does it create the relationship of principal and agent and/or of landlord and tenant.

21. Entire Agreement

The parties hereto agree that this Agreement sets forth all the promises, agreements and understandings between them with respect to the right and license to install, operate and maintain the Business in the Licensed Location. There are no promises, agreements or understandings, either oral or written, between them regarding such matters other than as is set forth herein. It is further agreed that any amendment or modification to this Agreement shall not be binding unless such amendment or modification is reduced to writing and signed by both parties.

22. Captions

The captions of the several sections of this Agreement are not part of the text hereof and shall be ignored in construing this Agreement. They are intended only as aids in locating various provisions hereof.

23. Severability

Each provision contained in this Agreement shall be independent and severable from all other provisions contained herein, and the invalidity of any such provisions shall in no way affect the enforceability of the other provisions. If any provision of this Agreement or the application thereof to any circumstances shall be held to be invalid or unenforceable, then the remaining provisions of this Agreement or the application thereof to other circumstances shall not be affected thereby and shall be held valid and enforceable to the fullest extent permitted by law.

24. Governing Law

This Agreement shall be governed and controlled by the laws of the Province of Ontario.

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25. Notices

All notices and communications hereunder shall be in writing and signed by a duly authorized representative of the party making the same. All notices and communications shall be deemed effective when delivered personally or when receipt is confirmed upon transmission by facsimile, addressed as follows:

(a) If to Licensor, then in duplicate to:

Le Château Inc.
8300 Boul. Décarie
Montréal, Québec
H4P 2P5

Attention: Director, Real Estate
Facsimile: (514) 738-3670

(b) If to Licensee, then to the Licensed Location:

DAVIDs TEA INC.
8162 Devonshire Rd
Mont Royal QC
H4P 2K3

Attention: Mr David Segal
Facsimile:

Giving notice of such change in the manner herein provided for giving notice may change the names and addresses for the purpose of this paragraph. Unless and until such written notice of change of address is actually received, the most recent name and address applicable under this Agreement may be used for all purposes hereunder.

26. Force Majeure

The performance of a party (except for payment of monies) shall be excused during the period and to the extent that such performance is rendered impossible, impractical or unduly burdensome due to acts of God, strikes, lockouts, or labour difficulty, unavailability of parts through normal supply sources, failure of any utility to supply its services for reasons beyond a party's control, explosion, sabotage, accident, riot or civil commotion, act of war, fire or other casualty, or any other cause beyond the reasonable control of the party whose performance is to be excused.

27. Registration

This Agreement or any notice thereof shall not be recorded or registered against title to the Licensed Location, the Premises or any part or parts thereof. If this Agreement or notice thereof, is registered or recorded by or on behalf of the Licensee without the written approval of the Licensor (which may be unreasonably withheld), the Licensor shall be entitled, at its option, in addition to its other rights and remedies herein to terminate this Agreement upon written notice to the Licensee.

28. Time of the Essence

Time shall be of the essence of this Agreement.

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29. Further Assurances

Each of the parties hereto shall from time to time hereafter and upon any reasonable request of the other, execute and deliver, make or cause to be made all such further acts, deeds, assurances and things as may be required or necessary to more effectually implement and carry out the true intent and meaning of this Agreement.

30. Successors and Assigns

Except to the extent that this Agreement provides to the contrary, this Agreement shall enure to and be binding upon the parties hereto and their respective successors and permitted assigns.

31. Tenant Allowance

- 1) Subject to paragraphs 2 and 3 of this Article, Licensor will pay Licensee a cash allowance (the "License Allowance") equal to \$210,000.00.
- 2) The License Allowance will be paid to Licensee by Licensor either thirty (30) days after the Commencement Date or thirty (30) days after the date on which Licensee opens for business from the Premises, whichever last occurs, provided Licensee has fully complied with all the following:

- (a) Licensee has completed the Premises for occupancy in accordance with Licensee obligations under clause 6 of this Licensing Agreement and Licensee drawings approved by Licensor;
- (b) Licensee has secured all applicable completion and occupancy certificates for the Premises;
- (c) There are no liens or encumbrances registered against the Premises or the Building in respect to work, services, materials or equipment relating to the Premises;
- (d) Licensee has provided Licensor with an affidavit stating that there are no liens, hypothecs or encumbrances registered against the Premises or the Building in respect to work, services, materials and equipment relating to the Premises and that Licensee's designers, contractors, subcontractors, workmen and suppliers of material and equipment (if any) have been paid in full for all work and services performed and materials and equipment supplied by them on or to the Premises; and
- (e) Licensee has supplied duly executed copies of all documents as required by Licensor's mortgagee, debenture holders, hypothecary, creditors and Trustees under trust deeds.

Provided that in no event will the License Allowance be paid unless the License Agreement is fully executed by Licensor and Licensee.

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- 3) In the event that any lien, encumbrance, hypothec, claim for lien or other action is registered against the Premises or the Building in respect of work, services, materials or equipment relating to the Premises, Licensee will, at its sole expense, cause the same to be removed from title within five (5) days (or such additional time as Licensor may consent to in writing) following notice to Licensee from Licensor, failing which Licensor will require Licensee to pay any such contested amount into court to remove any lien and the entire cost thereof, including reasonable legal fees, will be immediately due and payable by Licensee to Licensor and such amounts may at the option of the Landlord be deducted from the License Allowance otherwise payable hereunder.
- 4) The release of the License Allowance by Licensor to Licensee is conditional upon Licensee's full compliance with paragraph 2 of this Clause and will in no way affect any financial or other obligation Licensee may have to Licensor under the terms of this Licensing Agreement.
- 5) If and whenever termination of this Licensing Agreement by Licensor is permitted by reason of the Licensee's default under any part of this Licensing Agreement or in Law, then and in any of such cases at the option of the Licensor, the unamortized amount of the License Allowance monies paid to the Licensee or the value of other inducements given to Licensee in accordance with provisions of this License Agreement or any other agreement between Licensor and Licensee relating to the Premises (such allowances and inducements) being amortized on a straight line monthly basis over the initial Term of the Licensing Agreement and the First Option and determined as of the date of the event of default and hereinafter referred to as "Unamortized License Inducement" shall be paid to Licensor by Licensee on demand.
- 6) Should the Licensee not exercise the First Option the Licensee shall pay the unamortized amount of the License Allowance monies paid to the Licensee or the value of other inducements given the Licensee in accordance with provisions of this Licensing Agreement or any other agreement between Licensor and Licensee relating to the Premises (such allowance and inducements) being amortized on a straight line monthly basis over the initial Term of the Licensing Agreement and the First Option and shall be payable forthwith at the end of the Term or the termination date.

32. Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and, all of which shall constitute one and the same instrument. In addition, counterparts of this Agreement may be executed and transmitted by facsimile and such execution and transmission shall constitute proper execution of this Agreement.

IN WITNESS WHEREOF the parties hereto have executed and delivered this Agreement.

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LE CHÂTEAU INC.

By: /s/ Emilia Di Raddo

By: /s/ Authorized Person

LICENSEE

DAVIDS TEA INC.

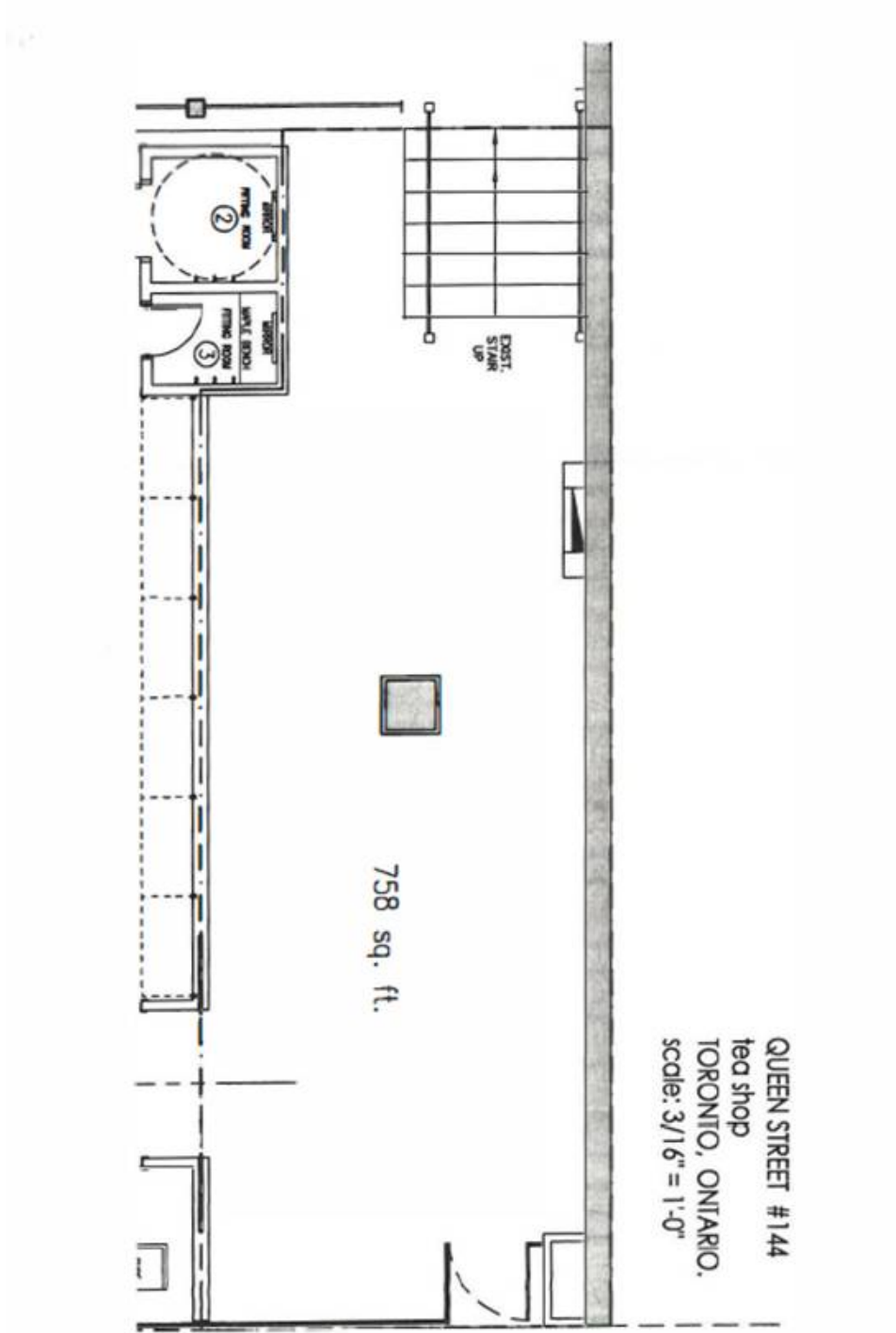
By: /s/ David Segal

By: _____

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SCHEDULE "A"
FLOOR PLAN

Licensed Location - Cross-hatched



LE CHÂTEAU

Montreal, May 2, 2013

BY COURIER

DAVIDsTEA Inc.
c/o Elise Trudeau
5775A Ferrier
Mount-Royal, QC H4P 1N3

RE: License Agreement Extension
336-340 Queen Street West

Further to a License Agreement between the parties dated June 18, 2008, this letter confirms the agreement to extend the Term for a further period of 10 months expiring on July 31, 2014 upon the same terms and conditions as the License agreement.

Acknowledged and agreed this 31 of May, 2013.

DAVIDsTEA Inc., by its authorized signatory

Per: /s/ Howard Tafler /s/ Herschel Segal
Name:
Title:

Acknowledged and agreed this 3rd of June, 2013.

Le Château Inc., by its authorized signatory

Per: /s/ Emilia Di Raddo
Name: **Emilia Di Raddo, CA**
Title: President

Per: /s/ Lee Albert
Name: **Lee Albert**
Title: Director, Real Estate

8300 boul, Décarie Montréal Québec H4P 2P5 · T. (514) 738-7000 F. (514) 738-8288
Lechateau.com

AGREEMENT OF SUBLEASE

THIS AGREEMENT OF SUBLEASE ("Agreement") is made as of this 26th day of April, 2012, by and between Le Château Inc., a Canadian corporation, having offices at 8300 Decarie, Montreal, Quebec H4P 2P5 (Tenant") and DAVIDSTEA Inc., a Canadian corporation, having offices at 5775A Ferrier, Mount-Royal, Quebec H4P 1N3 ("Subtenant").

WITNESSETH:

Tenant and Subtenant hereby covenant and agree as follows:

ARTICLE 1 - DEFINITIONS

Sec. 101 — As used herein, the following definitions shall be applicable to the terms set forth below:

- (a) "Leased Premises" - The Leased Premises located at **1310 St. Catherine Street West, Montreal, Quebec** and containing an approximate area of 11,785 square feet, out of which approximately **750 square feet** will be allocated to the Subtenant ("Subleased Premises"), the approximate location is shown on Schedule "A" hereto. The Subleased Premises shall bear the civic address of 1310A St. Catherine Street West.
- (b) "Storage Premises" The Storage Premises located at **1310 St Catherine Street West, Montreal, Quebec** and containing an approximate area of 182 square feet on the second floor, the approximate location is shown on Schedule "A" hereto. **The Tenant and Subtenant may terminate the Storage Premises tenancy on the last day of any calendar month by delivery of at least thirty (30) days prior written notice of termination to the other party.**
- (c) "Lease" - The Agreement of Lease dated December 22, 1998 as amended, a copy of such documents has been provided and which the Subtenant has received and reviewed.
- (d) "Landlord" - The Landlord under the Lease.

ARTICLE 2- SUBLEASED PREMISES

Sec 201 — Tenant does grant, demise and let unto Subtenant, and Subtenant does lease and take from Tenant, for the Term and upon the terms and conditions set forth in this Sublease, the Subleased Premises, together with all licenses, rights and appurtenances in connection therewith and thereunto belonging. Notwithstanding anything contained herein to the contrary, the Subtenant will not be permitted to register any rights conferred hereto by the present Sublease Agreement.

Sec 202 — Subtenant accepts the Subleased Premises, in its present condition as of the Commencement Date, as such term is hereinafter defined and pursuant to the Tenant's Work and Subtenant's Work as stated in Schedule "C".

ARTICLE 3 - TERM OF SUBLEASE

Sec 301 — Term. The term of this Sublease shall commence on the earlier of: (i) the date any part of the Subleased Premises is opened to the public for business, or (ii) forty-five (45) days after the expiry of the Fixturing Period, (the "Commencement Date"), and shall terminate at 11:59 p.m. local time on January 31st, 2018 (the Term").

Sec 302 — Fixturing Period. The Subtenant shall be entitled to a Fixturing Period not to exceed forty-five (45) days after the date on which the Subtenant is given

possession of the Subleased Premises. The Subtenant may take possession of the Subleased Premises upon full execution by both parties of this Agreement and after the Landlord has approved the Subtenant's drawings of the Subtenant's proposed work.

It is anticipated that the possession date of the Subleased Premises to be June 11, 2012. In the event that the possession date be delayed, then the commencement of the Fixturing Period shall be adjusted by a time period equivalent to such delay.

During the Fixturing Period, the Subtenant shall comply with each and every one of the terms, covenants and conditions contained herein save and except for the payment of the Gross Rent and Additional Charges. Without limiting the foregoing, the Subtenant will not be permitted access to all or any part of the Subleased Premises unless and until it delivers evidence of its insurance in accordance with Section 9 below, its contractor's insurance and all appropriate permits.

Sec 303 — Options to extend. Subject to the Tenant's right to extend the Term and provided that the Subtenant is not in Default, the Subtenant shall have the option to extend the Term equal to the length of term as the Tenant, namely for a period of five (5) years commencing on February 1, 2018, at the same terms and conditions as the present Agreement except for the **Gross Rent, as hereinafter defined, ("Subtenant's Option to Extend")**. The Subtenant must notify the Tenant no later than **March 30, 2017** of its intent to exercise the Subtenant's Option to Extend. Should the Tenant not exercise its right to extend the Term as per the Lease, this section shall be null and void.

The Gross Rent to be paid by the Subtenant during the Subtenant's Option to Extend shall be the fair market rental value of the Subleased Premises at the commencement of the Subtenant's Option to Extend having regard to other premises which are similar to the Subleased Premises in location, size, age of the building and the configuration of the Subleased Premises, but in no event shall Gross Rent payable during the Subtenant's Option to Extend be less than Gross Rent paid during the initial Term of this Sublease Agreement. Should the parties fail to reach an agreement on the market rate three (3) months prior to the commencement of the Subtenant's Option to Extend, either party may request that the market rate be determined by arbitration in accordance with the arbitration rules stipulated in the *Code of Civil Procedure of Quebec*. A single arbitrator shall be named by both parties or, should the parties fail to agree, by the Court.

Sec. 303(a) — Occupation by the Subtenant after the Term. This Agreement of Sublease shall automatically and without notice terminate at the end of the Term and the occupancy of the Subleased Premises by the Subtenant after that date shall not have the effect of extending or renewing this Agreement of Sublease for any period of time, whether by way of tacit renewal or otherwise. The Subtenant shall in such case be deemed to be occupying the Subleased Premises against the

will of the Tenant, who shall have the right to avail itself of any and all recourses provided by law to evict the Subtenant and claim for damages. **For clarity, the Subtenant may not occupy the Subleased Premises after the expiry of the Term of the Lease.**

Notwithstanding the foregoing, should the Subtenant continue to occupy the Subleased Premises after the expiry of the Term, the Subtenant shall be deemed to be occupying the Subleased Premises under a monthly lease and the Subtenant shall pay to the Tenant a minimum monthly rent equal to the last Gross Rent (calculated on a monthly basis) payable pursuant to this Agreement **until such time as the Tenant and Subtenant have completed such negotiations and the appropriate adjustments are made In accordance with the terms and conditions of the Subtenant's Option to Extend or such other extension or renewal of Term**, the other terms and conditions of this Agreement of Sublease remaining unchanged, the whole without prejudice to the

Tenant's other rights of recourse, including, without limitation, the right to take possession of the Subleased Premises and evict the Subtenant.

Sec. 304 — **Surrender of Subleased Premises.** On the last day or any sooner termination of the Term hereof, Subtenant shall and in accordance with Sec. 802 (a), quit, surrender and deliver up the Subleased Premises to the Tenant, and all pipes, plumbing, electric wires, heating and air-conditioning systems and all other appurtenances, in good condition and repair broom clean, reasonably wear and tear excepted, together with all alterations, additions and improvements in, to or on the Subleased Premises, Subtenant shall, at its own cost and expense, remove from the Subleased Premises and Storage Premises all movable furniture, equipment or trade fixtures belonging to Subtenant.

ARTICLE 4 - USE AND OCCUPANCY

Sec. 401 — **Use.** The Subleased Premises shall be used as a retail store for the sale at retail of tea, hot tea, iced tea, tea latte, tea smoothie and tea related drinks; and the sale at retail of (1) teas sold in bulk, including loose leaf teas and tea bags; (2) tea related desserts such as, cakes, cookies, cupcakes and chocolates; (3) teapots, kettles and cups; (4) any and all tea-related accessories and lifestyle products (the "Use").

Sec. 402 — **Signage.** The Subtenant shall arrange and pay for the installation of its standard signage on the exterior of the Subleased Premises, subject to the Landlord's, Tenant's and municipal approval. Designs shall be submitted by the Subtenant for approval by the Landlord, such approval not to be unreasonably withheld. Provided that it has obtained Landlord's prior approval **and such approval not to be unreasonably withheld**, Subtenant shall be allowed to place temporary banners on the exterior of the Subleased Premises until the installation of its standard signage.

Sec. 403 — Subtenant shall continuously, actively and diligently carry on, and the Subleased Premises shall be used only for, the intended Use in the whole of the Subleased Premises during the entire Term under the trade name **DAVIDs TEA** (the "Business") or such other name as Subtenant may use for the majority of its other similar stores, in a first class and proper manner and for no other purpose. Subtenant's Use of the Subleased Premises shall be subject to such limitations and restrictions as Tenant may, **acting reasonably**, from time to time, impose (including hours of operation during which the business and/or the Leased Premises are open to the public). The Subtenant shall not be entitled to a key to the Leased Premises and the Subtenant shall have no right of access to the Leased Premises before or after the Tenant's business hours from time to time except with the express prior written permission of the Tenant, **such permission may not be unreasonably withheld**. Except in the case of emergency, Tenant's personnel shall not block or unduly restrict access to the Subleased Premises. If the Subtenant breaches the Use in any respect, the Tenant shall, in addition to its other rights and remedies herein, have the immediate right to terminate this Agreement without notice and to recover from the Subtenant damages for breach of covenant and loss of all revenue arising from and after the termination.

Sec. 404 — In the conduct by the Subtenant of the Business at the Subleased Premises, the Subtenant shall:

- (i) conduct the Business in the Subleased Premises during such hours and on the days that the Tenant requires or expressly permits in writing from time to time and at no other time but the Subtenant is not required to carry on business when prohibited by a governmental law or by-law regulating the hours of business;
- (ii) operate the Business in a lawful manner in accordance with all Applicable Laws (as hereafter defined) with due diligence and efficiency as a first-rate merchandising activity;

(iii) own, install and keep in good order and condition, free from liens, security interests or rights of third parties, all of the Subtenant's fixtures and equipment; **Notwithstanding anything in this Agreement to the contrary, the Subtenant shall be permitted to grant hypothecs, liens, mortgages, debentures, charges or encumbrances attaching to the Subtenant's goods, trade fixtures, furniture or equipment, but excluding Leasehold Improvements (hereinafter collectively called the "Equipment") located In the Subleased Premises, so long as:**

(i) any such hypothec, lien, mortgage, debenture, charge or encumbrance arises through any bona fide financing done by the Subtenant in accordance with the Subtenant's normal business practice or by reason of any sale and leaseback agreement entered into by the Subtenant financing purposes with respect to the Equipment;

(ii) the Subtenant is not In default under any such lien, mortgage, debenture, charge or encumbrance, or any such sale or leaseback agreement;

(iii) neither the Lease, the Agreement to Lease, the Premises, the Subleased Premises, the Leasehold Improvements nor the Subtenant's interest in any of them shall be mortgaged, charged, encumbered, assigned, sublet or otherwise disposed of pursuant to such financing or sale and leaseback.

(iv) maintain at the Subleased Premises an adequate stock and an adequate sales force to serve properly all customers of the Subtenant's Business;

(v) warehouse, store or stock in the Subleased Premises only such goods, wares and merchandise as the Subtenant offers for sale in the Subleased Premises;

(vi) use for office, clerical or other non-selling purposes, only such reasonable minimum amount of space at the Subleased Premises as may be required for the conduct of the said business, from time to time;

(vii) not cause, permit or suffer any machines selling merchandise or vending services, including vending machines or machines operated by coins, credit or debit cards or otherwise, to be present in the Subleased Premises;

(viii) not use any loudspeakers, television, phonographs, speakers, radios or other similar devices without the prior written consent of the Tenant, which consent may be unreasonably withheld; and

(ix) clean and keep in a sanitary condition, on a regular basis, including and not limited to maintaining, at its sole cost and expense, pest control, removal of rubbish and all trash of a deteriorating nature so as to ensure no offensive odours affect the Lease Premises and/or the Subleased Premises.

Without expanding upon the definition of Business, no part of the Subleased Premises will be used nor shall the Subtenant permit any portion of the Subleased Premises to be used at any time for any of the following uses (or any uses incidental thereto):

(a) adults only, immoral, pornographic and/or sexual related activities;

(b) the sale of second hand goods or fire sale stock or bankruptcy stock; the sale of firecrackers or fireworks; an auction, bulk sale, liquidation sale, "going out of business" or bankruptcy sale, or warehouse sale;

(c) any sale or business conduct which in the Tenant's opinion is likely to lower the character of the Premises or any practice of unethical or deceptive advertising or selling procedures;

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(d) any unlawful, criminal or unlicensed use;

(e) the storage of goods not sold on or from the Subleased Premises; and/or

(f) the sale, rental and/or distribution of any clothing or clothing accessories, cigarettes, cigars, tobacco or any form of tobacco products, alcohol and/or alcoholic beverages.

Sec. 405 — Subtenant's Employees. Subtenant shall, at its own cost and expense, maintain worker's compensation coverage, unemployment compensation coverage and any other coverage, which may be required by law with respect to Subtenant's employees.

Subject to governmental and municipal zoning requirements and by-laws, Subtenant's employees, while working at the Subleased Premises, shall be entitled to use toilets provided by the Tenant for the convenience of the Subtenant's employees subject to any rules and regulations promulgated by Tenant. Tenant and Subtenant shall prohibit their respective employees from soliciting the other's employees.

ARTICLE 5 - RENT

Sec. 501 — Gross Rent. Subtenant covenants to pay to Tenant in Canadian dollars, in advance on the first day of each and every calendar month during the Term hereof, without previous demand therefore and without any delay, defense, set-off, abatement or deduction, suspension or counterclaim whatsoever, a rent of One Hundred and Seventy Dollars (\$170.00) per square foot of the Subleased Premises and a rent of One Hundred Dollars (\$100.00) per square foot of the Storage Premises, per annum plus all applicable taxes (the "Gross Rent"). Subtenant will deliver to Tenant **every (3) three months**, a series of three (3) monthly post-dated cheques for the rental year for the total monthly payments of Gross Rent for such months during the Term.

Rent for partial calendar months at the beginning or the expiration of the Term of this Agreement shall be prorated.

Sec. 502 — Adjustments. The Subtenant undertakes to pay to the Tenant its proportionate share of the increase in municipal, school and business taxes over and above the amount applicable to the Subleased Premises for 2012.

Sec. 503 — Utilities. The Subtenant shall pay, directly to the provider thereof, the cost of all utilities consumed in the Sublease Premises.

Sec. 504 — Place of Payment. Subtenant shall pay to Tenant all rents and amounts payable under this Agreement at the following address: Le Château Inc., do Finance Department, 8300 Decarie, Montréal, Québec, H4P 2P5.

Tenant may designate such other place for payment of rent as Tenant may deem appropriate or expedient by giving Subtenant not less than ten (10) days prior written notice to Subtenant's head office of Tenant's designation of a new address for payment of rents.

Sec. 506 — Sales Tax. The Subtenant agrees to remit to the Tenant the amount corresponding to the Goods and Services Tax (G.S.T.), the Taxe de vente du Québec (T.V.Q.) and any other similar tax that could be established during the Term of the Agreement imposed by any taxing authority and that the Tenant is obligated to collect, or could be obliged to collect from the Subtenant with respect to Gross Rent or with respect to any other sums payable to the Tenant or for the benefit of the Tenant in virtue of the Agreement or with regards to any goods, services and supplies provided to the Subtenant by the Tenant in virtue of the Agreement or otherwise.

Sec. 507 — Save as expressly set out to the contrary herein, this Agreement is intended by the parties to be an absolutely net agreement to the Tenant and the

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Tenant shall not be responsible during the Term for any costs, charges, expenses or outlays of any nature whatsoever arising from or relating to the Subleased Premises or the Subtenant's use thereof. Any amount and any obligation that is not expressly declared herein to be that of the Tenant with respect to the Subleased Premises shall be deemed to be a covenant and obligation of the Subtenant to be performed and paid for by the Subtenant.

ARTICLE 6 - TAXES AND ASSESSMENTS

Sec. 601 — Taxes. Subtenant shall pay to the appropriate agency or the Tenant or the Landlord, if required, its share of taxes on the Subleased Premises levied, imposed or separately assessed by the municipality in which the Subleased Premises are situated or any political subdivision thereof or other taxing authority upon any rental payable under this Agreement.

ARTICLE 7 - REPAIRS

Sec. 701 — Repairs by Subtenant. Subtenant shall, at its sole cost and expense during the Term, or any renewal thereof, of this Agreement maintain the Subleased Premises and Storage Premises and make repairs thereto and replacements thereof in accordance with the requirements of the Lease, including, but not limited to, replacements of all plate glass and windows so that the Subleased Premises shall continue in the same repair and operating condition as at the beginning of the Term of this Agreement, ordinary wear and tear only excepted.

Sec. 702 — All repairs and replacements made by Subtenant to the Subleased Premises and Storage Premises as required by Section 701 above, shall be made according to standards and methods which are appropriate for property and buildings of similar construction and class, and in compliance with all applicable fire and building codes and the Lease.

ARTICLE 8 - ALTERATIONS

Sec. 801 — Subtenant shall not alter or improve the Subleased Premises or the Storage Premises without first obtaining Tenant's written consent to such alteration or improvement, which consent shall be subject to any consent which may be required from the Landlord pursuant to the Lease **such consent may not be unreasonably withheld**.

Sec. 802 — Any alterations or improvements consented to by Tenant shall be made at Subtenant's sole cost and expense, subject to the following requirements:

(a) Prior to the start of any work related to any alteration or improvement, Subtenant shall submit detailed plans and specifications, drawn by a licensed architect or registered professional engineer, showing the proposed alterations or improvements, to Tenant and Landlord for Tenant's and Landlord's review and approval. At the end of the Term, Tenant shall indicate to Subtenant if the alterations or improvement must be removed at the Subtenant's cost and expense in conformity with the following Section 803 or if it may remain in the Subleased Premises and the Storage Premises.

(b) No alterations or improvements shall be undertaken unless and until Subtenant shall have procured all permits, licenses and other authorizations required for the lawful and proper undertaking thereof.

(c) Any such alterations or improvements shall be made in a good and workmanlike manner and in compliance with all applicable laws, governmental orders and fire and building ordinances and regulations pertaining thereto.

(d) All alterations or improvements when completed shall be of such nature as not to reduce or otherwise adversely affect the value of the Subleased Premises,

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nor diminish the general utility or change the general character of the Subleased Premises.

Sec. 803 — Removal of the Alterations. At the expiration of the Term of this Agreement, Tenant shall require Subtenant to remove from the Subleased Premises and Storage Premises any alteration or improvement constructed by the Tenant or the Subtenant or at Tenant's direction during the Term. Subtenant shall, at its sole cost and expense, remove such alterations or improvements from the Subleased Premises and Storage Premises and repair any damage caused by such removal, all to be completed not less than three (3) days prior to the expiration of the Term. The provisions of this Section 803 shall survive the expiration or earlier termination of this Agreement.

ARTICLE 9 - INDEMNITY AND INSURANCE

Sec. 901 — Indemnity. Subtenant shall indemnify and save Tenant and the Landlord harmless, **except if caused by Tenant or Landlord negligence or omission**, from and against any and all claims arising during the Term of this Agreement and any other period of Subtenant's occupancy of the Subleased Premises for damages or injuries to goods, wares, merchandise and property and/or for any bodily injury or loss of life in, upon or about the Subleased Premises, or resulting or arising out of Subtenant's use of occupancy of the Subleased Premises. The provisions of this Section 901 shall survive the expiration or earlier termination of this Sublease.

Sec. 902 — Insurance. Subtenant shall carry its own property insurance on its improvements to the Subleased Premises and Storage Premises. Subtenant shall also keep in force during the Term of this Agreement public liability insurance with liability limits of not less than Two Million Dollars (\$2,000,000.00) **or any such amount as provided for in the Lease**, combined single limit for bodily injury and/or for property damage. All such policies of insurance shall contain a clause requiring the insurer not to cancel or change the insurance without first giving the Tenant thirty (30) days' written notice thereof. All such insurance shall be with an insurer and provide such coverage as would be obtained by a prudent operator of the Business in the Subleased Premises and shall otherwise be in form and substance satisfactory to the Tenant, acting reasonably. Each such policy shall name the Landlord and the Tenant as an additional named insured as its interest may appear and shall contain a provision of cross liability as between the Landlord, Tenant and Subtenant. Furthermore, each of the Subtenant's insurance policies shall stipulate that the insurer has no right of subrogation against the Landlord or the Tenant. Subtenant shall furnish Tenant with a certificate evidencing such coverage at least ten (10) days prior to receiving access to the Subleased Premises and upon request from time to time during the Term.

If the Subtenant fails to obtain the insurance required under this Section 9 and such failure is not cured within two (2) business days following written notice from the Tenant, the Tenant shall, in addition to its other rights and remedies herein, be entitled to obtain such coverage (but without any obligation to do so) and the costs thereof and all other reasonable expenses incurred shall be payable by the Subtenant to the Tenant upon demand.

Subtenant shall at its expense provide and maintain in force during the Term of this Agreement or of any renewal or extension thereof plate glass insurance for the benefit of the Landlord and the Tenant covering all plate glass in the Subleased Premises, including plate glass windows and doors, in an amount equal to the full insurable value thereof, and all public liability and property damage insurance, for the benefit of the Landlord and the Tenant, in such reasonable amounts as may be required by the Landlord in respect of injury or death to one or more persons or property damage, including without limitation insurance to cover the responsibilities assumed under Section 903 hereof. Notwithstanding anything contained herein, the Subtenant shall be permitted to self-insure as to plate glass insurance and shall be deemed to have satisfied all

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of the foregoing insurance requirements, with respect to plate glass insurance only.

Sec. 903 — Indemnification. The Subtenant covenants with the Landlord and Tenant to indemnify and save harmless the Landlord and the Tenant from any and all payments and liabilities required to be made in respect of the Subleased Premises, including “GST Taxes”, but not including income taxes, succession duties, inheritance taxes, business taxes, and similar charges, personal to the Landlord and Tenant, and without limiting the generality of the foregoing, shall indemnify and save harmless the Landlord and Tenant from any and all liabilities, damages, costs, suits, actions and expenses arising out of:

- (a) Any breach, violation or nonperformance of any covenant, condition or agreement in the Agreement set forth and contained on the part of the Subtenant to be fulfilled, kept, observed and performed.
- (b) Any reasonable damage to property of the Tenant, Subtenant, licensee and all persons claiming through or under him, them, or any of them, or damage to any other property howsoever occasioned by the use and occupation of the Subleased Premises, **except if caused by Tenant or Landlord negligence or omission**.
- (c) Any injury to person or persons, including death resulting at any time therefrom, occurring in or about the Subleased Premises and/or sidewalks, loading or other areas adjacent to the same.

Sec. 904 — Waiver of Subrogation. Subtenant shall secure an appropriate clause in, or an endorsement upon, each fire, comprehensive liability, and extended coverage policy obtained and covering the Subleased Premises and the personal property, fixtures and equipment located therein or thereon, pursuant to which the Subtenant’s insurance company waives subrogation or permit the insured, prior to any loss, to agree with a third party to waive any claims. The waiver of subrogation or permission for waiver of any claim hereinbefore referred to shall extend to the agents of the Tenant and its employees.

Sec. 905 — Tenant’s Exculpation. Tenant shall not be responsible or liable to Subtenant for any reasonable loss, cost, damage or expense incurred by Subtenant by reason of any loss or damage to Subtenant’s property from any reasonable cause whatsoever during the Term of this Sublease, except if such cost, loss, damage or expense results from Tenant’s gross negligence, willful misconduct or breach of this Agreement.

Sec. 906 — Expropriation. In the event of expropriation of all or part of the Premises, neither Tenant nor Subtenant shall have a claim against the other for the shortening of the Term, or the reduction or alteration of the Business and/or the Premises. Tenant and Subtenant shall each look only to the expropriating authority for compensation. Tenant and Subtenant agree to cooperate with one another so that each is able to obtain the maximum compensation from the expropriating authority as may be permitted in law in relation to their respective interests in the Premises or Business. Nothing herein contained shall be deemed or construed to prevent Tenant or Subtenant from enforcing and prosecuting a claim for the value of their respective interests in any expropriating proceedings.

ARTICLE 10 - CASUALTY

Sec. 1001 — Except if otherwise specified in the Lease, neither the rent payable by Subtenant nor any of Subtenant’s other obligations under any other provision of this Agreement shall be abated or affected by any damage to or destruction of the Subleased Premises.

ARTICLE 11 — COMPLIANCE WITH LAWS AND REGULATIONS

Sec. 1101 — Subtenant, at its sole cost and expense, shall comply with and shall cause the Subleased Premises to be in compliance with all statutes, laws, ordinances, regulations, rules and orders of every kind and nature now or hereafter in effect relating to or affecting any part of the Subleased Premises.

ARTICLE 12 - SUBTENANT’S ADDITIONAL COVENANTS

Sec. 1201 — Affirmative Covenants. Subtenant shall, at its own cost and expense:

- (a) Acquire Appropriate Permits: Provide Tenant with a copy of a valid Business License and all other permits required before opening for Business.
- (b) Zoning Requirements: Subtenant shall ensure that the use of the Subleased Premises conforms to all governmental and municipal zoning requirements.
- (c) Keep Leased Premises Clean: Maintain the Subleased Premises and Storage Premises in a clean, neat and orderly condition including, but not limited to, trash removal.
- (d) Pay Taxes: Pay, before delinquency, any and all taxes, assessments and public charges levied, assessed or imposed upon Subtenant’s business.
- (e) Pay License Fees: Pay, when and as due, all license fees, permit fees and charges of a similar nature, if any, for the conduct by Subtenant of any business or undertaking hereunder to be conducted in the Subleased Premises.

Sec. 1202 - Negative Covenants. Subtenant shall not at any time:

- (a) Change Exterior: Change the exterior of the Subleased Premises or of the building thereon, or any part thereof, in a manner whatsoever, except as expressly permitted by Article 8 hereof.
- (b) No Liens: Subject to any fixtures, furnishings or equipments which are affixed to the realty so as to become a part thereof, to any mortgages, liens, conditions sales agreements, encumbrances or security interest.
- (c) Not Damage the Subleased Premises: Perform any act or carry on any practice which may damage or deface the Subleased Premises, or expose the Subleased Premises to an increased risk of loss or damage.
- (d) No Vacancy: Leave the Subleased Premises unoccupied, vacant or abandoned.
- (e) No Encumbrances: Do any act or enter into any agreement which may create any lien or encumbrance upon the estate, or interest of the Tenant or Landlord.

ARTICLE 13-DEFAULT

Sec. 1301 — Events of Default. The occurrence of any one or more of the following events shall constitute a default by the Subtenant under this Agreement:

- (a) If Subtenant shall fail to pay any installment of the Gross Rent or the Utilities Charge or any amounts payable under this Agreement as and when the same shall become due and payable;
- (b) If Subtenant shall fail to perform or comply with any of the terms, covenants, agreements, conditions or provisions of this Agreement;

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- (c) If Subtenant shall make any alteration, addition or improvement to the Subleased Premises or Storage Premises, except as expressly permitted hereunder;
- (d) If Subtenant shall leave the Subleased Premises, unoccupied, vacant or abandoned;
- (e) if Subtenant shall attempt to assign, mortgage, sublet or otherwise encumber, transfer or convey this Agreement or any interest therein, except as expressly permitted hereunder;
- (f) If Subtenant shall use or occupy or permit the use and occupancy of the Subleased Premises for any purpose not expressly permitted hereunder;
- (g) If there shall be any dissolution or liquidation of Subtenant, or if Subtenant shall make an assignment for the benefit of creditors.

Sec. 1302 — Cure Period. If any event of a non monetary default enumerated in this Article occurs. Subtenant shall cure such default within ten (10) days from the date on which Tenant gives Subtenant written notice to cure, specifying the nature of such default or, if such default is a monetary payment default then Subtenant shall cure such default within five (5) ten (10) days from the date on which the Tenant gives Subtenant written notice to cure.

Sec. 1303 — Tenant's Rights. If Subtenant fails to cure any default within the cure periods provided for in this Article, or if Subtenant shall not have diligently proceeded in good faith to cure any non-monetary default which could not reasonably have been cured within such period, Tenant may exercise any of the following rights without further notice or demand of any kind to Subtenant or any other person, except as required by applicable law:

- (a) Tenant may terminate this Agreement and Subtenant's right to possession of the Subleased Premises by written notice to Subtenant, effective on a date specified in such notice and to reenter the Subleased Premises, take possession thereof and remove all persons therefrom, following which Subtenant shall have no further claim thereon or under this Agreement;
- (b) Tenant may, without terminating this Agreement, terminate Subtenant's right to possession of the Subleased Premises, and to reenter the Subleased Premises and occupy the whole or any part thereof for and on account of Subtenant and to collect any unpaid rentals and other charges, which have become payable, or which may thereafter become payable; or
- (c) Tenant may, even though it may have reentered the Subleased Premises in accordance with subparagraph (b) of this Section 1303, thereafter terminate this Agreement as specified in subparagraph (a) of this Section 1303.

Sec. 1304 — Non-Exclusive Remedies. The enumeration anywhere in this Agreement of certain rights or remedies of Tenant shall not be construed to be an exclusion or substitution of any other rights conferred under this Agreement or applicable law. All of the rights and remedies herein granted to the Tenant shall be construed as creating distinct, separate and cumulative remedies, and no one of them, whether exercised by the Tenant or not, shall be deemed to be in exclusion of any of the others.

ARTICLE 14 — NOTICES

Sec. 1401 — All notices and communications hereunder shall be in writing and signed by a duly authorized representative of the party making the same. All notices and communications shall be deemed effective when delivered personally or when service is confirmed upon receipt, addressed as follows:

To Tenant: Le Château Inc.
8300, boul. Decarie

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Montréal, Québec H4P 2P5
Attention: Real Estate Department

To Subtenant: DAVIDs TEA INC.
5775A, Ferrier
Mount-Royal, Quebec H4P 1N3
Attention: David Segal

Giving notice of such change in the manner herein provided for giving notice may change the names and addresses for the purpose of this section. Unless and until such written notice of change of address is actually received, the most recent name and address applicable under this Agreement may be used for all purposes hereunder.

ARTICLE 15 — ACCESS TO SUBLEASED PREMISES

Sec. 1501 — Tenant, and its agents or designees, shall have the right to enter upon the Subleased Premises at all reasonable hours to inspect the condition of the Subleased Premises and for any other lawful purpose. Tenant reserves the right to enter upon (a) two (2) days **written** notice, during business hours, to make any **reasonable** repairs or alterations to the Subleased Premises which Subtenant neglects or refuses or perform in breach of Subtenant's repair obligations herein, or (b) without notice, in the event of an emergency.

ARTICLE 16 — MISCELLANEOUS

Sec. 1601 — Severability. If any part or provision of this Agreement shall be deemed invalid or unenforceable for any reason, such invalidity or enforceability shall not affect the validity of this Agreement, but such invalid or unenforceable provision shall be deemed deleted and the remainder of this Agreement shall remain in full force and effect as if such invalid or unenforceable provision had never been contained herein.

Sec. 1602 — Entire Agreement. This Agreement embodies the terms and conditions of the agreement between the parties. There are no other agreements, written or oral, between the parties except as herein stated. All prior agreements, written or oral, between the parties are merged herein and shall be of no further force or effect. Any modification, rescission, termination or extension of this Agreement shall not be valid or enforceable unless it be in writing signed by the parties hereto.

Sec. 1603 — Force Majeure. The performance of a party (except for payment of monies) shall be excused during the period and to the extent that such performance is rendered impossible, impractical or unduly burdensome due to acts of God, strikes, lockouts, or labour difficulty, unavailability of parts through normal supply sources, failure of any utility to supply its services for reasons beyond a party’s control, explosion, sabotage, accident, riot or civil commotion, act of war, fire or other casualty, or any other cause beyond the reasonable control of the part whose performance is to be excused.

Sec. 1604 — Time of the Essence. Time shall be of the essence of this Agreement.

Sec. 1605 — Choice of Laws. This Agreement shall be governed by and construed in accordance with the laws of the Province of Quebec and the federal laws of Canada.

Sec. 1606 — Execution and Delivery of Agreement. This Agreement may be executed in any number of counterparts or electronic or facsimile counterparts, each of which when delivered shall be deemed to be an original and all of which together shall constitute one and the same document. A signed electronic or facsimile copy of this Agreement shall be effectual and valid proof of execution and delivery.

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Sec. 1607 — Subtenant’s responsibility. Subtenant shall be solely responsible for all costs and legal fees incurred towards obtaining consent and approval of the Sublease, whether for the benefit of the Landlord or any authority.

Sec. 1608 — Rules and Regulations. The Subtenant covenants that the reasonable rules and regulations which the Landlord and the Tenant may make, being in its judgment needful for the reputation, image, appearance, safety, care or cleanliness of the Leased Premises and the Subleased Premises, or the operation, maintenance or protection of the Leased Premises and the Subleased Premises and its equipment, or the comfort of tenants, shall be faithfully observed and performed by the Subtenant, and by its clerks, servants, agents **and those for whom the Subtenant is in law responsible visitors and licensees.**

Sec. 1609 — Language. The parties hereto have requested that this Agreement and all notices, documents and other instruments to be given pursuant hereto be drawn in the English language only. Les parties ont exigé que la présente entente ainsi que tous les avis et autres documents à être donnés en vertu des présentes soient rédigés en langue anglaise seulement.

Sec. 1610 — Special Conditions. This Agreement is subject to Subtenant obtaining at its sole cost and responsibility the following prior to execution:

- (i) that Subtenant has acquired all appropriate governmental and/or municipal permits;
- (ii) that Subtenant’s usage respects all governmental and/or municipal zoning by-laws;
- (iii) that Subtenant provides a copy of all governmental and municipal permits and governmental authorizations at the time of execution of this Agreement (Schedule “B”).

Tenant will not be held responsible for any costs incurred by Subtenant in acquiring (or failure of) the foregoing.

[REMAINDER OF THE PAGE INTENTIONALLY LEFT BLANK.]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Tenant Le Château Inc.

By: /s/ Emilia Di Raddo
Emilia Di Raddo, C.A.
President
I have authority to bind the Corporation.

By: /s/ Lee Albert
Lee Albert
Director, Real Estate
I have authority to bind the Corporation.

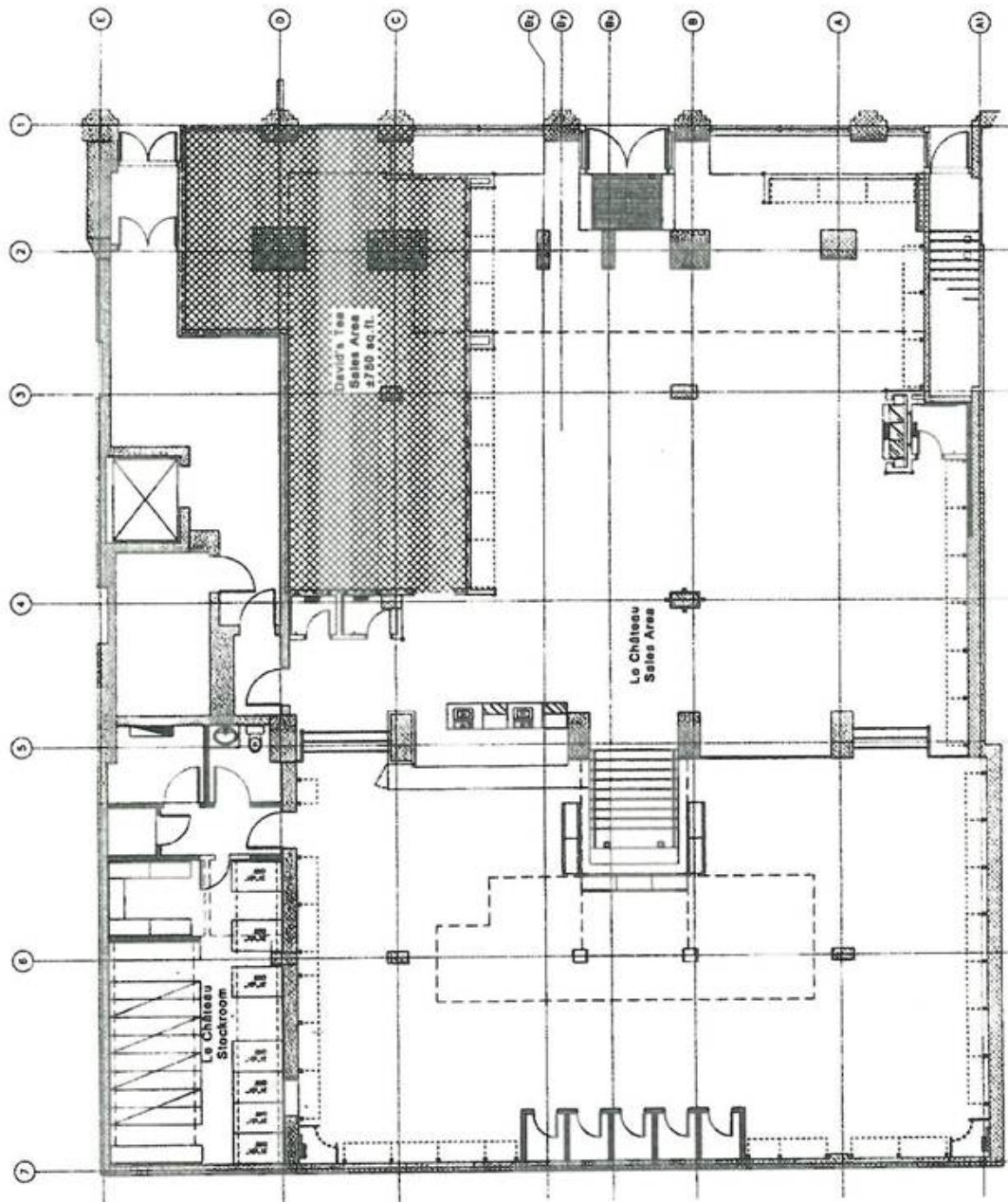
Subtenant DAVIDSTEA INC.

By: /s/ David Segal
David Segal
President
I have authority to bind the Corporation.

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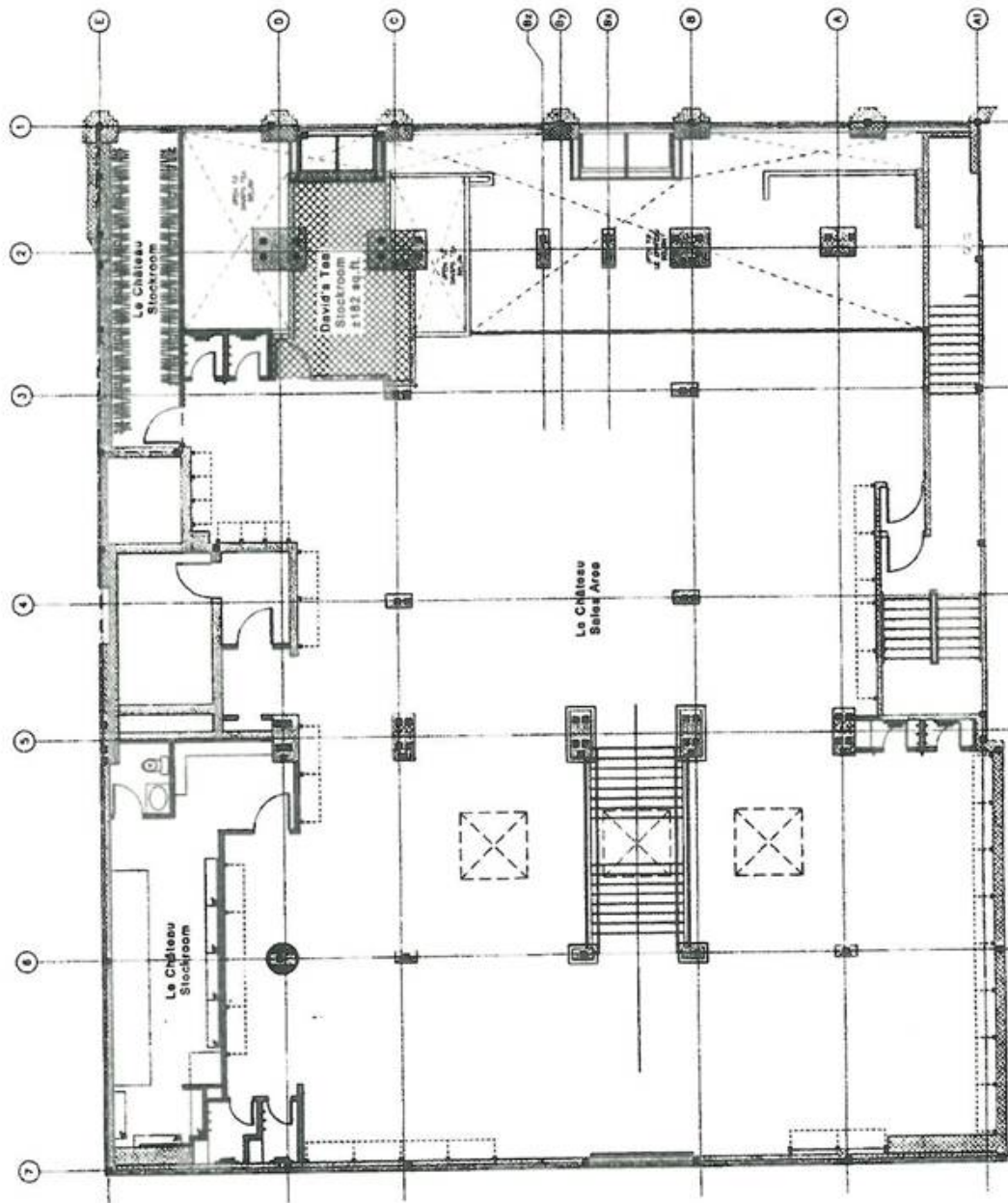
SCHEDULE « A »

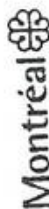
FLOOR PLAN



SCHEDULE « A »

FLOOR PLAN





Arrondissement Ville-Marie
Direction de l'aménagement urbain et des services aux entreprises
800, boul. De Maisonneuve Est, 11^e étage
Montréal (Québec) H2L 4L8
Téléphone: 514 865-4540 Télécopieur: 514 872-3567

Permis

N° 3000239948-12

SIKRAS CORPORATION

a obtenu un permis pour

Transformation

selon la description des travaux suivants

Au RC, aménager un local en occupation conjointe avec "Le Chateau" pour la Cie Les thés Davids Tea et en façade, remplacer une baie vitrée pour y aménager une alcôve et une porte, tel qu'aux plans approuvés.

1341141

portant le No de
lot au cadastre

1310A, rue Sainte-Catherine Ouest

situé

1304 rue Sainte-Catherine Ouest Ouest

à l'adresse
principale

Montréal le 2012-06-07

[Signature]

Directeur

Ce permis deviendra périmé et nul le **2012-12-04** si les travaux ne sont pas commencés
ou s'ils sont abandonnés pendant plus de 12 mois.
Ce placard doit être affiché de façon à ce qu'il soit bien visible de la voie publique.

0604510

SCHEDULE « B »

**GOVERNMENTAL AND/OR MUNICIPAL PERMITS / CONFORMITY TO
ZONING BY-LAWS**



Ville de Montréal
Direction de l'aménagement urbain et des services aux entreprises
100, boulevard De Maisonneuve Est 17^e étage
Montréal (Québec) H2L 4L8
Téléphone : 514 868-4546 Télécopieur : 514 872-3567

Implacement des travaux

Localisation 1310A, rue Sainte-Catherine Ouest
Adresse principale 1304 rue Sainte-Catherine Ouest Ouest
Entre Rue de la Montagne

Permis

Transformation

Numéro	Date du permis
3000239948 -12	2012-06-07

et Rue Crescent

Nature des travaux

Description des travaux autorisés Au RC, aménager un local en occupation conjointe avec "Le Chateau" pour la Cie Les thés Davids Tea et en façade, remplacer une baie vitrée pour y aménager une alcôve et une porte, tel qu'aux plans approuvés.

Nbre d'unités de logements	Nbre de places d'affaires	Nbre de nos municipaux
0	0	0

Informations complémentaires

Numero demande	No lot au cadastre	No compte foncier
3000503614	1341141	25045350
Coût des travaux	Quartier inspection	Code du bâtiment
80,000.00	02	04B

Intervenants

Propriétaire

SIKRAS CORPORATION
1118 SAINTÉ-CATHERINE O 211
MONTREAL QC H3B 1M5
CANADA

Demandeur

Dama Construction
117, rue Lindsay
Dorval (Québec) H9P 2S6
CANADA

Signataire

M. Shawn McCarten
117, rue Lindsay
Dorval (Québec) H9P 2S6
CANADA

Marc Labelle
Directeur

Note L'émission du permis n'atteste pas la conformité des travaux visés par la demande au code de construction.

Page 1 de 1
DP404300

SCHEDULE « B »

GOVERNMENTAL AND/OR MUNICIPAL PERMITS / CONFORMITY TO
ZONING BY-LAWS

CERTIFICAT D'OCCUPATION

Exploitant
Les thés DavidsTea

Dossier: 3006603826

Emplacement
1310A, rue Sainte-Catherine Ouest suite RC

Émis le: 2012-06-07

Usage(s) autorisé(s)	FAM Spécificité(s)
Epicerie	C 1 Usage(s)

Remarque
Occupation conjointe avec le certificat #2155642005 (Le Chateau)

Catégorie(s) d'usage(s) autorisé(s) dans ce secteur au 07 Juin 2012
C.5C / L3(1)

Page 1 de 1

Montréal

Arrondissement Ville-Marie
Direction de l'aménagement urbain et des services aux entreprises
600, boul. De Maisonneuve Est, 17^e étage
Montréal (Québec) H2L 4L8
Téléphone : 514 868-4546 Télécopieur : 514 872-3567


Marc Labolle
Directeur

Il est obligatoire d'afficher ce certificat. Tout changement d'exploitation, d'usage ou toute transformation du local entraîneront l'annulation du certificat d'occupation.

Les thés DavidsTea
5775, rue Ferrier
Mont-Royal (Québec) H4P 1N3
Canada

DP-10-100

15-02-015-1-07 2005

The Tenant will construct a base building consisting of perimeter enclosing walls, structural frame and floor in accordance with the Tenant's drawings and specifications. The Tenant reserves the right to make changes as it deems necessary, acting reasonably. All of the Tenant's Work to be performed in the Leased Premises in order to accommodate the Subtenant will be at the Subtenant's sole cost and expense and shall be payable on **reasonable** demand.

Subtenant's Work

The Subtenant shall perform all construction required to ready the Subleased Premises and the Storage Premises for the conduct of the Subtenant's business therein.

The Subtenant will submit to the Tenant for approval, such approval may not unreasonably be withheld prior to the commencement of the Subtenant's Work, detailed plans for its proposed work. Before beginning any work in the Subleased Premises, the Subtenant will provide the Tenant with a valid proof of insurance covering the execution of said Subtenant's Work.

CORPORATE RESOLUTION

EXTRACT FROM THE RESOLUTION OF THE BOARD OF DIRECTORS OF LE CHATEAU INC. DATED OCTOBER 6, 2000.

RESOLVED:

THAT

- (1) either Herschel H. Segal acting together with any other officer of the Corporation or with the Director, Real Estate of the Corporation, or
- (2) the President together with the Director, Real Estate,

be and are hereby authorized to sign, on behalf of the Corporation, all offers to lease and leases for premises to be leased by the Corporation, as well as all other documents of any nature whatsoever relating thereto, including any documents amending or terminating such offers to lease or leases, the whole in such form and on such terms and conditions as the aforesaid signatories may, in their sole discretion, approve, such approval to be conclusively evidenced by their execution of such offers to lease, leases or other documents, as the case may be.

Certified to be a true copy of a resolution adopted by the board of directors of Le Château Inc., the 6th day of October 2000, and further that the said Resolution is in full force and effect as of the date hereof.

Dated this 7th day of September 2012.

/s/ Emilia Di Raddo

Emilia Di Raddo, CA
Secretary

Montreal, February 7, 2014

VIA COURIER

Davids Tea Inc.
Jody Bessner, Lease Administrator
 5430 Ferrier
 TMR, QC H4P 1M2

RE: Storage Agreement Extension
 1034 rue St-Jean, Quebec City, Quebec (the "Leased Premises")

Dear Jody,

Further to your request, this Extension letter acknowledges that the Storage Agreement between Le Château Inc. ("Le Château") and Davids Tea Inc. ("Davids Tea") dated May 28, 2012 **will be extended on a month-to-month basis, commencing on February 1, 2014.**

Notwithstanding anything to the contrary in the Storage Agreement, Le Château has the right to terminate the Storage Agreement and Extension thereof, for any reason whatsoever, upon a prior notice of seventy-two (72) hours given to Davids Tea Head Office.

If Le Château exercises the foregoing right of termination:

- (i) the Storage Term shall be deemed to expire on the date of termination specified in Le Château's notice of termination (the "Termination Date");
- (ii) Davids Tea shall execute and deliver an acknowledgment of termination in Le Château's form and any other documentation that may be required by Le Chateau in order to give effect to the provisions of this right;
- (iii) Davids Tea shall deliver vacant possession of the Leased Premises to Le Château upon the Termination Date in accordance with the terms of the Storage Agreement and any extensions thereof; and
- (iv) Davids Tea shall pay to Le Château all amounts of Rent due up to and including the Termination Date and all Rent shall be adjusted as of the Termination Date, all without any compensation, damages or indemnification of any kind from Le Château.

The parties hereto confirm that the Storage Agreement, as modified by this Agreement, constitutes the entire agreement between the parties pertaining to subject matter hereof. All other terms and conditions of the Storage Agreement will remain in full force and effect.

Agreed and dated on February 7 , 2014

DAVIDS TEA INC.

Per: /s/ Howard Tafler

Per: /s/ Dominic Choquette

I/We have the authority to bind the company.

Agreed and dated on February 14 , 2014

LE CHÂTEAU INC.

Per: /s/ Emilia Di Raddo
 Emilia Di Raddo, CA
 President

Per: /s/ Lee Albert
 Lee Albert
 Director, Real Estate

I/We have the authority to bind the company.

SUBSIDIARIES OF DAVIDSTEAM INC.

Entity	Jurisdiction
Davidstea (USA) Inc.	Delaware
