

## BINDING MEMORANDUM OF TERMS FOR PRIVATE PLACEMENT OF UNITS OF PSYCHED WELLNESS LTD.

**May 23, 2023**

This memorandum summarizes the principal terms of a treasury offering of units in the capital of Psyched Wellness Ltd. (the “Company”). The completion of the transactions contemplated by this memorandum (the “Transactions”) will be subject to, among other things, satisfactory completion of financial and legal due diligence by the Investor Group (as defined below), as well as the completion of final documents acceptable to the Investor Group and Company.

### **Offering Terms**

Issuer: Psyched Wellness Ltd.

Offering: Non-brokered private placement offering (the “Offering”) of units of the Company (each, a “Unit”). Each Unit will consist of one (1) common share in the share capital of the Company (each, a “Common Share”) and one (1) Common Share purchase warrant of the Company (each, a “Warrant”). Each Warrant will entitle the holder thereof to acquire one (1) additional Common Share of the Company (each, an “Additional Share”) at a price of C\$0.1000 per Additional Share at any time on or before the warrant expiry date, set sixty (60) months following the applicable Closing Date.

Subject to compliance with the policies of the Canadian Securities Exchange (the “CSE”), in lieu of exercising the Warrants for cash, the Purchaser may exercise on a cashless basis, based on the value of the Warrants at the time of exercise.

Subject to compliance with the policies of the CSE, should the Common Shares of the Company trade above an average of C\$0.40 per share on a volume-weighted basis over any 30 consecutive trading days (the “30 Day VWAP”) prior to the warrant expiry date, on volume of at least twenty-five million (25,000,000) shares traded over such 30 days, the Warrants will automatically be exercised on a cashless basis, with the value of the Warrants at the time of exercise determined by such 30 Day VWAP for purposes of determining the number of Warrants to be issued on such cashless exercise.

Issue Price: C\$0.07000 (approximately US\$0.05169) per Unit.

Investor Group: Gotham Green Fund III, L.P., Gotham Green Fund III (Q), L.P., and affiliates and/or co-investors (together, “Investor Group”).

|           |           |                                                  |
|-----------|-----------|--------------------------------------------------|
| Tranches: | Tranche:  | Amount:                                          |
|           | Tranche 1 | C\$677,084.07 (approximately US\$500,000.00)     |
|           | Tranche 2 | C\$9,478,672.99 (approximately US\$7,000,000.00) |

For the avoidance of doubt, the Investor Group shall have no obligation to fund Tranche 2 and whether the Investor Group funds Tranche 2 shall be subject to satisfactory completion of due diligence in the Investor Group’s sole discretion and prior shareholder approval of the Company.

Total Investment: C\$10,155,721.06 (approximately US\$7,500,000.00)

Closing Conditions for Tranche 1: Closing of Tranche 1 will be subject to customary closing conditions and is conditional upon:

1. customary closing conditions, including accuracy of representation and warranties, approvals of regulatory authorities, etc.;
2. the officers of the Company and members of the board of directors of the Company (the “Board”) entering into support and voting agreements to vote their shares in favor of the Transactions (including Tranche 2 and the board composition and

representation set forth under “Board of Directors” below), and to vote against any potential competing offers or transactions;

3. the Company and Investor Group entering into an investor rights agreement providing for the right to nominate one (1) director to sit on the Board (as further set forth under “Board of Directors” below);
4. the Company granting exclusivity to the Investor Group for a period of ninety (90) days following the closing of Tranche 1 such that Company shall be prohibited from discussing, negotiating, or entering into any agreement or arrangement with respect to any potential financing transaction, sale transaction, or other strategic transaction with any third party; and
5. The Company and Board members entering into indemnification agreements in a form acceptable to the Investor Group and Company.

Closing Conditions for Tranche 2: Closing of Tranche 2 will be subject to customary closing conditions and is conditional upon (the “Tranche 2 Closing Conditions”):

1. the satisfactory completion of due diligence by the Investor Group, in the Investor Group’s sole discretion;
2. customary closing conditions, including accuracy of representation and warranties, approvals of regulatory authorities, etc.;
3. the Company having received requisite shareholder approval for the issuance of the Tranche 2 Units;
4. the Investor Group, as applicable, delivering executed personal information forms, as required pursuant to the policies of the CSE;
5. the Investor Group, as applicable, entering into lock-up agreements with the Company to refrain from selling any securities of the Company for a period of 12 months from the Tranche 2 Closing Date;
6. the Company entering into new employment agreements with Jeffrey Stevens and David Shisel;
7. the Company and Investor Group entering into an investor rights agreement providing for the right to nominate two (2) additional directors to sit on the Board and the parties will agree to jointly nominate an additional one (1) director (as further set forth under “Board of Directors” below); and
8. The Company and new Board members entering into indemnification agreements in the form acceptable to the Investor Group and Company.

Expected Tranche 1 Closing Date: 1 On or about June 5, 2023 (the “Tranche 1 Closing Date”)

Expected Tranche 2 Closing Date: 2 Within five (5) business days following the satisfaction and/or waiver of the Tranche 2 Closing Conditions (the “Tranche 2 Closing Date” and together with the Tranche 1 Closing Date, the “Closing Dates”).

Jurisdictions: The Offering will be offered for purchase and sale to investors in: (i) Canada on a private placement basis; and (ii) the United States on a private placement basis pursuant to available exemptions from the registration requirements under the United States *Securities Act of 1933*, as amended; provided that no prospectus, registration statement or similar document is required to be filed in such jurisdiction.

Hold Periods: All securities issued under the Offering will be subject to (i) a four (4) month and one (1) day hold period from the applicable Closing Date and (ii) applicable legends as required pursuant to *United States Securities Act of 1933*, as amended. In addition to the foregoing, on the Tranche 2 Closing Date, the Investor Group, as applicable, shall enter into lock-up

agreements with the Company to refrain from selling any securities of the Company acquired in Tranche 2 for a period of 12 months from the Tranche 2 Closing Date.

Representations and Warranties: Standard representations and warranties by the Company.

### **Board of Directors Matters**

Board of Directors: Upon closing Tranche 1, the Investor Group shall appoint one (1) member to the Board, replacing one (1) existing member, maintaining the size of the Board at seven (7) members, with such nomination right to be effective for twelve (12) months. Upon closing Tranche 2, the Investor Group shall appoint two (2) additional members to the Board, replacing two (2) existing members of the Board, bringing the total Investor Group Board representation to three (3) members, maintaining the size of the Board at seven (7) members. Further, upon closing of Tranche 2, at least one (1) member of the Board shall be jointly nominated by the Company and Investor Group. This seat will initially be filled by existing Board member Nick Kadysh and the Investor Group shall have the right to nominate one (1) Board member to the audit committee. These directors shall remain in place for at least twelve (12) months post Tranche 2 Closing, following which period directors of the company will be nominated, appointed and elected in the normal course, provided that the Investor Group agrees that no more than three board members may be employees or partners of the Investor Group or its affiliates.

Significant Expenditure Consent Right: For eighteen (18) months following the Tranche 2 closing, consent of a supermajority of the board (at least 5 of 7 board members) will be required for (i) expenditures in excess of C\$200,000 (inclusive of (a) multiple expenditures with a single vendor over the span of up to six (6) months which total in excess of C\$200,000 and (b) new headcount additions with total annual compensation in excess of C\$200,000).

### **Other Matters**

Employment Agreements Officers: with Concurrent with the signing of definitive documentation related to Tranche 2, Jeffrey Stevens and David Shisel will enter into employment agreements with the Company, in form and substance satisfactory to the Investor Group, which will provide for a base salary, an incentive bonus structure, and for a “top-up” of incremental equity incentives (in an amount to be determined) subject to time-based vesting. The agreements will also provide for severance and an acceleration in vesting of certain equity securities upon involuntary termination within twenty-four (24) months following the closing of the Transactions.

Exclusivity: The Company shall be prohibited from discussing, negotiating, entering into any agreement or arrangement with respect to, or consummating, any potential financing transaction, sale transaction, or other strategic transaction with any third party, in each case effective as of the execution of this Memorandum of Terms and binding on the parties for 30 days from the date hereof.

Publicity: Except as required by law, the Company will not discuss the terms of this Term Sheet with any person other than key officers, members of the Board or Company’s accountants or attorneys without the written consent of Investor Group. In addition, the Company shall not use the Investor Group’s name in any manner, context or format (including reference on or links to websites, press releases, etc.) without the prior approval of such Investor Group member, except as required pursuant to CSE policies. Notwithstanding the foregoing, the Investor Group acknowledges and agrees that the material terms of this term sheet, including their names will need to be press released and provided in the management information circular of the Company in connection with obtaining shareholder approval for the Transactions.

Expenses: If the Investor Group funds Tranche 2 of the Offering, the Company shall reimburse the Investor Group’s reasonable and documented out of pocket expenses incurred in connection with the Transactions, up to C\$15,000.

(Signatures follow next page)

PSYCHED WELLNESS LTD.

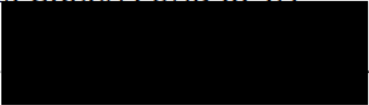
By: 

Name: Jeffrey Stevens, CEO

Date: May 26, 2023

INVESTOR GROUP

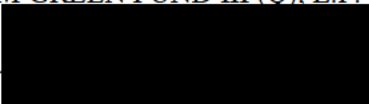
GOTHAM GREEN FUND III L.P.

By: 

Name: Jason Adler

Date: May 28, 2023

GOTHAM GREEN FUND III (O). L.P.

By: 

Name: Jason Adler

Date: May 28, 2023