LXR AND CO

ANNUAL INFORMATION FORM

For the year ended December 31, 2018

April 1, 2019

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LXRandCo, Inc.

ANNUAL INFORMATION FORM

INTRODUCTORY INFORMATION / MEANING OF CERTAIN REFERENCES

Unless otherwise noted or the context otherwise indicates, the "Company", "LXRandCo", "us", "we" or "our" refer to LXRandCo, Inc. and its direct and indirect subsidiaries and predecessors or other entities controlled by it or them. Certain terms used in this annual information form (the "**Annual Information Form**") are defined under "Glossary".

Unless otherwise specified or the context otherwise requires, all information provided in this Annual Information Form is given as at December 31, 2018. All references to "$" or "dollars" are to Canadian dollars and references to "U.S.$" or "U.S. dollars" are to United States dollars. Amounts are stated in Canadian dollars unless otherwise indicated. Certain totals, subtotals and percentages throughout this Annual Information Form may not reconcile due to rounding.

GLOSSARY

Certain terms used in this Annual Information Form have the following meanings:

"**Audit Committee**" means the audit committee of LXRandCo, as constituted from time to time;

"**Board**" means LXRandCo's board of directors, as constituted from time to time;

"**CAGR**" refers to compound annual growth rate.

"**Compensation and Nominating Committee**" means the compensation and nominating committee of the Board, as constituted from time to time;

"**Credit Agreement**" means the amended and restated credit agreement dated as of October 18, 2017 among LXR Produits de Luxe International Inc., LXR Canada Inc., LXR Luxe, Inc., Groupe Global LXR Inc., LXR & CO. and LXR&CO UK Limited, as borrowers, the guarantors from time to time party thereto, as guarantors, the lenders from time to time party thereto, as lenders, and Canadian Imperial Bank of Commerce, as administrative agent, as amended, supplemented or otherwise modified from time to time;

"**Credit Facilities**" means the $25,000,000 revolving credit facility pursuant to the Credit Agreement;

"**Extraordinary Dividend**" means any dividend, together with all other dividends payable in the same calendar year, that has an aggregate absolute dollar value which is greater than $0.25 per share, with the adjustment to the applicable price (as the context may require) being a reduction equal to the amount of the excess;

"**SEDAR**" means the system for electronic document analysis and retrieval at www.sedar.com;

"**Shares**" means the class B shares of LXRandCo;

"**Shareholders**" means holders of Shares;

"**TSX**" means the Toronto Stock Exchange;

"**Warrant Agreement**" means the warrant agency agreement between LXRandCo and TSX Trust Company, as warrant agent, dated October 2, 2015, as it may be amended from time to time; and

“**Warrants**” means the share purchase warrants LXRandCo issued under the Warrant Agreement which entitle the holder thereof to purchase one Share at an exercise price of $11.50, and each a “**Warrant**”.

NON-IFRS MEASURES INCLUDING RETAIL INDUSTRY METRICS

This Annual Information Form makes reference to certain non-IFRS measures including certain retail industry metrics. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. These measures should also not be considered in isolation nor used as a substitute for measures of performance prepared in accordance with IFRS. LXRandCo believes that these non-IFRS financial measures provide meaningful supplemental information regarding its underlying performance and may be useful to investors because they allow for greater transparency with respect to key metrics used by LXRandCo in its financial and operational decision making, normalized for non-recurring events.

This Annual Information Form makes reference to “revenue per square foot” and “inventory turns”, which are non-IFRS measures commonly used as operating metrics in the retail industry but may be calculated differently compared to other retailers. These non-IFRS retail industry metrics are used to provide investors with supplemental measures of LXRandCo’s operating performance and highlight trends in LXRandCo’s business that may not otherwise be apparent when relying solely on IFRS measures. LXRandCo also believes that providing such information to securities analysts, investors and other interested parties who frequently use non-IFRS measures in the evaluation of issuers will allow them to better compare LXRandCo’s performance against others in the retailing industry. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

“**Revenue per Square Foot**” is an operating metric indicative of LXRandCo’s store productivity. Unless otherwise specified, revenue per square foot for a specified period of time means the total net revenue generated during the specified period of retail stores that were opened for 12 months or more without any major changes in circumstances divided by the total square footage of such retail stores.

“**Inventory Turnover**” is an operating metric indicative of LXRandCo’s productivity and measures how many times inventory was sold during a specified period of time. Inventory turnover is calculated by dividing the cost of goods sold for the specified period by the average of the inventory balances at the beginning and end of the specified period.

FORWARD-LOOKING INFORMATION

Certain statements in this Annual Information Form are prospective in nature and constitute forward-looking information and/or forward-looking statements within the meaning of applicable securities laws (collectively, “**forward-looking statements**”). Forward-looking statements include, but are not limited to, statements concerning the expected operations, financial results and condition of the Company, expectations regarding market trends, overall market growth rates and the Company’s growth rates, management’s estimate of new store openings for 2019, management’s expectations regarding the size of its targeted retail network in 2019, management’s estimate of its store expansion pipeline for 2019, the Company’s future objectives and strategies to achieve those objectives, including, without limitation, new store openings, store productivity, margin improvements, expected mix of stores, e-Commerce penetration and future acquisitions, as well as other statements with respect to management’s beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, outlook, circumstances, performance or expectations that are not historical facts.

Forward-looking statements generally, but not always, can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “could”, “would”, “will”, “expect”, “intend”, “estimate”, “forecasts”, “project”, “seek”, “anticipate”, “believes”, “should”, “plans” or “continue”, or similar expressions suggesting future outcomes or events and the negative of any of these terms.

Forward-looking statements reflect management's current beliefs, expectations and assumptions and are based on information currently available to management, which includes assumptions about continued revenues based on historical past performance, management's historical experience, perception of trends and current business conditions, expected future developments and other factors which management considers appropriate. With respect to the forward-looking statements included in this Annual Information Form, LXRandCo has made certain assumptions, among other things, that the Company is capable of meeting and will meet its future objectives and strategies, that the Company's future projects and plans are achievable and will proceed as anticipated and that growth through 2019 will be driven by increases in revenue from the Company's retail store network and e-commerce and wholesale businesses, as well as ongoing initiatives to expand gross margin and manage selling, general and administrative costs.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the future circumstances, outcomes or results anticipated or implied by such forward-looking statements will occur or that plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve known and unknown risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include, but are not limited to: LXRandCo being unable to effectively and efficiently implement its strategic plan; LXRandCo not having sufficient funds to execute its strategic plan; LXRandCo's significant dependence on a limited number of retail partners and LXRandCo being unable to identify new retail partners and enter into agreements with such partners for opening new stores and digital channels, or not successfully opening such new stores in a timely and cost-effective manner; LXRandCo's exposure to the credit risk of its retail partners; LXRandCo's being unable to obtain merchandise on a timely basis at competitive costs; LXRandCo's being unable to successfully access products sourced directly from individuals in sufficient quantity and quality on desired terms and in a timely manner; LXRandCo losing the services of members of its senior management team or other key personnel, or it being unable to attract new executives who possess specialized market knowledge and technical skills; LXRandCo being unable to continue as a going concern; LXRandCo being unable to realize its plans to expand its omni-channel network successfully; LXRandCo being unable to manage and grow its e-commerce business, as planned; the financial outlook for 2019 not being attained; LXRandCo being unable to continue to grow revenue or meet other financial targets; a failure by LXRandCo to manage its operations at its current size and successfully execute on its growth strategies; LXRandCo being unable to operate profitability and operate positive cash flow in the future; a failure by LXRandCo to make license payments when due, or the inability to extend, renew or continue to rent space in key locations from retail partners; LXRandCo's ability to access capital, whether on satisfactory terms or at all, to fund its expanding business; LXRandCo's ability to manage operations and respond to changes in its business being restricted by terms of its Credit Facilities or future debt financing; fluctuations in the value of the Canadian dollar in relation to the U.S. dollar, the Japanese Yen and other currencies; consumer confidence and consumer purchases of discretionary items, including pre-owned branded vintage luxury products, being affected by general economic conditions in Canada, the United States and other parts of the world, including lower levels of consumer spending, can affect consumer confidence and consumer purchases of discretionary items, including pre-owned branded vintage luxury products; LXRandCo's being unable to anticipate and respond in in a timely manner to changing consumer demands, tastes and fashion trends across multiple brands, product lines, sales channels and geographies; LXRandCo being unable to protect and enhance its brand or a diminishment in the brand appeal of the products that it sells, actions taken by LXRandCo's suppliers that negatively impact its brand image, reputation and financial performance, trade restrictions in the regions LXRandCo operates; the ability of LXRandCo's competitors to compete more effectively than LXRandCo; LXRandCo's limited operating experience and limited brand recognition; material disruptions in or security breaches affecting LXRandCo's information technology systems or e-commerce business; LXRandCo being unable to attract, motivate and retain quality sales staff; unions being able to organize LXRandCo employees, warehouse spaces or distribution centers becoming inoperable; capacity being exceeded or operations being disrupted; risks relating to independent third party transportation providers; fluctuations in LXRandCo's net revenue and inventory purchases; LXRandCo being unable to reduce operating expenses in a timely manner in response to changes in its business; risks relating to being a public company; LXRandCo's equity compensation plans adversely impacting its financial results; the possibility that a material misstatement of LXRandCo's annual or interim financial statements would not be prevented or detected on a timely basis; LXRandCo being unable to protect its trademarks or other intellectual property rights; risks relating to the laws and regulations that LXRandCo is subject to; risks related to LXRandCo's restatement of previously filed financial statements; litigation risks; taxation risks; difficulties in effecting service of process within Canada upon LXRandCo's directors and executive officers who are non-Canadian residents; insurance risks; payment related risks; risks relating to natural disasters; unusual weather and geo-political events or acts of terrorism; insolvency risks; accounting risks; transfer pricing rules; risks relating to the value of the Shares; volatility in the market price of the shares; dilution resulting from future issuance of Shares; no assurance that an active market for the Shares will exist; no intention to pay any cash dividends on the Shares in the foreseeable future; securities or industry analysts not publishing research or publishing inaccurate or unfavorable research about LXRandCo or its business; Warrants becoming exercisable for Shares; and the Warrants never being in-the-money and expiring worthless. For a further description of these and other factors that could cause actual results to differ materially from the forward-looking statements included in this Annual Information Form, see the risk factors discussed under the heading "Risk Factors" in this Annual Information Form and as described from time to time in the reports and disclosure documents filed by LXRandCo with the Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the forward-looking statements in this Annual Information Form. As a result of the foregoing and other factors, there can be no assurance that actual results will be consistent with these forward-looking statements.

All forward-looking statements included in and incorporated into this Annual Information Form are qualified by these cautionary statements. Unless otherwise indicated, the forward-looking statements contained herein are made as of the date of this Annual Information Form, and except as required by applicable law, LXRandCo does not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Readers are cautioned that the actual results achieved will vary from the information provided herein and that such variations may be material. Consequently, there are no representations by LXRandCo that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements.

MARKET AND INDUSTRY DATA

Unless otherwise stated, market and industry data presented throughout this Annual Information Form was obtained from third party sources, industry publications and publicly available information, including: Bain & Company and Euromonitor International, as well as market and other data prepared by LXRandCo on the basis of its knowledge of the Canadian, U.S. and international markets and economies (including LXRandCo's estimates and assumptions relating to the Canadian, U.S. and international markets and economies based on that knowledge). LXRandCo believes that this market and economic data is accurate and that the estimates and assumptions used to prepare such information are reasonable, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market and economic data used throughout this Annual Information Form are not guaranteed and LXRandCo makes no representation as to the accuracy of such information. Although LXRandCo believes it to be reliable, LXRandCo has not independently verified any of the data from third party sources referred to in this Annual Information Form, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic and other assumptions relied upon by such sources.

TRADEMARKS AND TRADENAMES

This Annual Information Form includes the registered trademarks "LXR & Co" and "LXRandCo" as a Word Mark and as a Logo, and the domain name www.lxrco.com, which are protected under applicable intellectual property laws and are the property of LXR Produits de Luxe International Inc. a fully-owned subsidiary of LXRandCo. Solely for convenience, LXRandCo's trademarks and tradenames referred to in this Annual Information Form may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that LXRandCo will not assert, to the fullest extent under applicable law, its rights to these trademarks and tradenames.

CORPORATE STRUCTURE

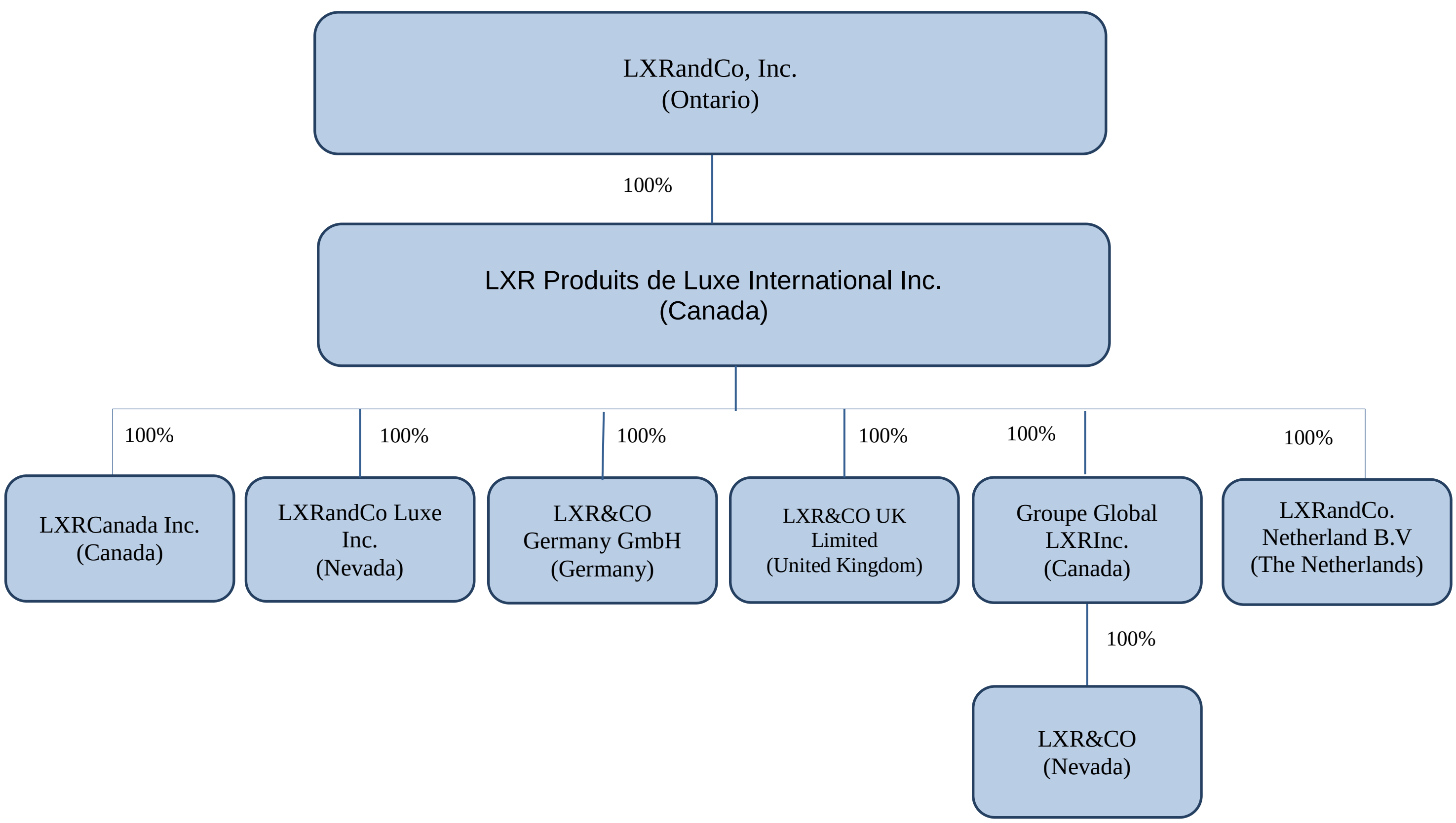
Incorporation and Addresses

LXRandCo was formed on June 9, 2017 by an amalgamation under the *Business Corporations Act* (Ontario) of Gibraltar Growth Corporation ("**Gibraltar Growth**") and LXRandCo, Inc.

LXRandCo's registered office is located at 130 Adelaide Street West, 17th Floor, Toronto, Ontario M5H 3P5 and its head office is located at 7399 Saint-Laurent Blvd., Montréal, Québec, Canada, H2R 1W7.

Intercorporate Relationships

The following chart identifies the principal legal entities through which we conduct our business, their applicable governing corporate jurisdictions and the percentage of their voting securities which are beneficially owned, or controlled or directed, directly or indirectly by LXRandCo:



HISTORY OF THE BUSINESS

2017

On June 9, 2017, the Company completed a qualifying transaction (the "**LXR Acquisition**") pursuant to the policies of the TSX consisting of the acquisition of all of the issued and outstanding shares in the capital of LXR Produits de Luxe Internationale Inc. (a corporation incorporated under the provisions of the *Canada Business Corporations Act* (the "**CBCA**")) ("**LXR Produits de Luxe**") pursuant to a share purchase agreement (the "**Purchase Agreement**") among the Company, Frédérick Mannella, Kei Izawa, Gibraltar & Company, Inc. ("**Gibraltar & Company**"), Gibraltar Ventures Fund One Limited Partnership ("**Gibraltar Ventures**"), and certain other private investors (collectively, the "**Vendors**"). As a result of the LXR Acquisition, LXR Produits de Luxe became a wholly-owned subsidiary of Gibraltar Growth. On June 9, 2017, Gibraltar Growth and LXRandCo, Inc. were amalgamated and the resulting entity was named LXRandCo, Inc.

Gibraltar Growth

Prior to the LXR Acquisition, Gibraltar Growth was a special purpose acquisition corporation incorporated under the laws of the Province of Ontario for the purpose of effecting an acquisition of one or more businesses or assets by way of a merger, amalgamation, share exchange, asset acquisition, share purchase, reorganization or any other similar business combination involving Gibraltar Growth. Gibraltar Growth received $100.0 million of proceeds from its initial public offering which was completed on October 2, 2015 and an additional $4.5 million from the partial exercise of the underwriters' over-allotment option. The total proceeds of $104.5 million were placed in an escrow account with TSX Trust Company immediately following the initial public offering and were released upon closing of the LXR Acquisition.

LXR Produits de Luxe

LXR Produits de Luxe was founded in November 2010 by Fred Mannella and Kei Izawa in Montréal, Québec as a private label wholesaler of vintage luxury products to discount retailers across North America. In 2014, LXR Produits de Luxe launched its first retail stores based on its unique "shop-in-shops" model that partners with major department store retailers and which emphasized the LXRandCo brand as part of a curated shopping experience. LXR Produits de Luxe's retail activities began in Canada and expanded rapidly to the United States in the same year and to Germany in 2016.

Groupe Global

On January 7, 2017, as part of a strategic decision to better integrate the Company's omni-channel strategy and improve the reporting of its entire operations, the Company reacquired control of an associate, Groupe Global LXR Inc. ("**Groupe Global**") by repurchasing the interest of Groupe Global that it did not own for total consideration of $3,384,086 through the issuance of 59,558 convertible redeemable preferred shares of the Company. Group Global is the subsidiary of the Company that is responsible for LXRandCo's Canadian and US e-commerce operations through its website, www.lxrco.com.

2018

On January 26, 2018, LXRandCo announced the appointment of Ms. Audrey Lara as Chief Financial Officer of the Company, effective April 1, 2018.

On February 12, 2018, LXRandCo issued 2,728,500 Shares as part of a public offering on a bought deal basis (the "**Offering**"). The Shares were priced at $5.25 per Share for aggregate gross proceeds of $14,324,625.

On April 12, 2018, LXRandCo announced the appointment of then independent director, Steven Goldsmith, as President and Chief Executive Office of the Company. The Company also announced the appointment of Frederick Manella, Co-Founder and CEO of LXRandCo, as Vice-Chair of the Board of Directors and Chief Development Officer ("**CDO**"). The appointments became effective on April 12, 2018.

On May 4, 2018, LXRandCo announced that Todd Howard, Executive Vice President Global Business Development, had left the Company to pursue other opportunities. Fred Mannella, co-founder and Vice-Chair of LXRandCo, who was recently appointed to the position of CDO, assumed Mr. Howard's responsibilities.

On June 13, 2018, LXRandCo announced its updated strategic plan which included: refocusing its retail network presence by selectively partnering with strategically located and economically viable partners located in the U.S. and Canada; closing its stores in Europe; streamlining its product offering to include solely branded vintage luxury women's handbags and accessories and to gradually phase out its men's accessories, fine jewelry, apparel and other ancillary offerings; increasing its focus on serving customers across the multiple channels,; continuing to grow its e-ecommerce and wholesale channels; and embarking on a cost reduction plan to bring selling, general and administrative costs in line with its revised revenue growth trajectory.

On August 14, 2018, LXRandCo announced its intention to restate its consolidated financial statements as at and for the years ended December 31, 2017 and 2016 (the "**2017 Amended and Restated Financial Statements**") and corresponding management discussion and analysis for the years ended December 2017, 2016, as well as for the three and six month periods ended June 30, 2017. Management determined that a restatement of the originally filed consolidated financial statements was required for the stated periods due to a revision in the nature of the accounting treatment of the LXR Acquisition as well as other identified changes. In addition, the June 30, 2017 second quarter financial results also included specific "going concern" disclosure due to the Company's challenged liquidity position at that time. As a result of this, the Company announced that its board of directors formed a special committee of independent directors (the "**Strategic Review Committee**") to initiate a strategic review process and identify and evaluate a broad range of strategic and financing alternatives available to the Company.

On October 24, 2018, LXRandCo announced that, effective November 22, 2018, Audrey Lara will leave her position as Chief Financial Officer of the Company and that Nadine Eap will assume the role of interim Chief Financial Officer.

On November 14, 2018, LXRandCo announced that it had filed its amended and restated consolidated financial statements as at and for the years ended December 31, 2017 and 2016 and corresponding management's discussion and analysis for the years ended December 31, 2017 and 2016, and its amended and restated interim condensed and consolidated financial statements for the three and six month periods ended June 30, 2018 and 2017. The Company also announced that as at September 30, 2018, the Company ceased the operations of its European-based subsidiaries, LXR&Co Germany GmbH, LXR&Co UK Limited, and LXRandCo Netherlands B.V. LXRandCo provided an update on the ongoing strategic review process and announced that the Strategic Review Committee was reviewing and carefully considering any and all available alternatives and that no decisions had been made requiring public disclosure.

2019 to Date

On February 25, 2019, LXRandCo announced a non-brokered private placement (the "**Private Placement**") to Gibraltar & Company, Inc., Gibraltar Brands, Inc., and Gibraltar Ventures Fund One Limited Partnership, which are insiders or affiliates of insiders of the Company, and Star Orange Enterprise Pte. Ltd. (an affiliate of the Rattha Group), of an aggregate 12,500,000 Class B Shares (the "**Shares**") in the capital of the Company at a price of $0.40 per Share. The Private Placement was made in reliance of the financial hardship exemption in accordance with Multilateral Instrument 61-101 – *Protection of Minority Shareholders in Special Transactions* and the TSX Company Manual, upon the unanimous recommendation of the Company's Strategic Review Committee which was formed in August 2018 to identify and evaluate a broad range of strategic and financing alternatives for the Company.

On March 4, 2019, LXRandCo announced the closing of the Private Placement, which concluded the mandate of the Strategic Review Committee.

On April 1, 2019, LXRandCo announced that Luc Mannella has resigned from the Company’s Board of Directors and as Corporate Secretary of the Company. The resignation became effective on April 1, 2019.

THE BUSINESS OF LXRandCo

Overview

LXRandCo is a North American omni-channel retailer of branded vintage luxury handbags and accessories. LXRandCo sources and authenticates high quality pre-owned products and sells them through: a retail network of stores located in major department stores in Canada and the United States; wholesale operations primarily in the United States; and LXRandCo’s own e-commerce website, www.lxrco.com. LXRandCo offers pre-owned products from iconic luxury brands such as Hermès, Louis Vuitton, Gucci and Chanel, among others, at attractive prices and seeks to appeal to the aspirational lifestyle needs of women of all ages. As at December 31, 2018, LXRandCo had five retail partners, and LXRandCo’s retail network consisted of 86 stores with 77 stores located in the United States and nine located in Canada. LXRandCo’s headquarters are located in Montréal, Québec, and LXRandCo has an office in Tokyo, Japan. As at December 31, 2018, LXRandCo had 179 employees.

LXRandCo’s mission is to connect consumers with pre-owned branded luxury products and inspire a new pride in ‘vintage luxury’ by making sought after luxury products accessible to a broader audience. Management believes that its curated offering of branded pre-owned vintage luxury products addresses a growing demand by aspirational buyers who seek luxury products and accessories that might otherwise be unavailable to them due to price and accessibility. LXRandCo offers an integrated omni-channel buying environment, and authenticated and condition-graded products that are attractively priced compared to new products.

Consistent with the prestige associated with branded luxury products, LXRandCo strives to offer an exceptional shopping experience and level of service. This extends from the experience in retail stores where sales associates seek to connect their customers to the storied history of vintage luxury products through to the e-commerce online experience where support teams attend to customer inquiries about products and fulfilment preferences including the delivery of products to their location of choice. LXRandCo guarantees the authenticity of the products it sells and believes that a consumer’s trust in LXRandCo’s expertise and knowledge to consistently offer high quality, authentic pre-owned luxury products is integral to the evolution of the LXRandCo brand and the success of the Company.

Since 2015, LXRandCo’s net revenue has grown from $15.3 million to $39.0 million at the end of 2018, representing a CAGR of 36.4%. In 2018, approximately 79% of LXRandCo’s net revenue was generated in the United States and 11% in Canada. In 2018, LXRandCo’s e-commerce channel contributed approximately 5% of net revenue.

Brands and Products

LXRandCo offers a curated assortment of pre-owned vintage branded luxury products. LXRandCo’s product categories consist primarily of women’s handbags, including shoulder bags, tote bags and travel bags, and other accessories, which include small leather goods and silk scarfs. In 2018, handbags accounted for approximately 73% of all sales on a unit basis. The brands offered by LXRandCo are carefully selected to be synonymous with luxury and are either longstanding mainstays in the luxury segment such as Louis Vuitton, Gucci, Hermès, Chanel, Prada, and Fendi. The products feature unique styling, workmanship and recognizable branding, and LXRandCo pairs these distinctive product characteristics with a tailored marketing strategy of storytelling designed to create a connection with consumers and a particular product's storied past and brand elements as well as with the LXRandCo brand. As at December 31, 2018, LXRandCo was offering over 24,500 items for sale through its omni-channel sales network.

LXRandCo strives to offer competitive pricing for pre-owned luxury goods relative to the manufacturer's suggested retail price ("**MSRP**") for new primary market goods. Pricing strategy depends on, among other things, the popularity of a given product and brand, and the quality and condition of the product. All of LXRandCo's products are condition graded by its internal team of experts based on the following industry accepted ratings criteria:

Condition Rating	Description
S	Mint (pristine) – no flaws to report, may come with original packaging
A	Very Good Condition – no major flaws, possible slight signs of wear (i.e. visible light scratches or marks)
AB	Good Condition – some signs of wear due to regular use or aging
B	Fair Condition – some signs of discoloration, visible wear or scratches and/or marks
BC	Well Used – obvious signs of frequent use, visible wear with more pronounced discolouration, scratches, marks and/or stains
C	Functional – may require repair

LXRandCo primarily offers products ranging in condition from "Category Rating A – Very Good Condition" through to "Category Rating B – Fair Condition". In 2018, products with condition ratings in this range represented over 98% of products sold. Depending on condition rating and other factors, pricing of pre-owned goods can be discounted on average by 33% to 40% of the MSRP. The pricing of pre-owned vintage luxury products offered by LXRandCo typically range between $100 and $2,000 with some products selling for as high as $20,000 for certain Hermès handbags. In 2018, LXRandCo`s average transaction value at retail was over $900.

Product Strategy and Sourcing

Unlike most of its competitors who favour a product consignment model, LXRandCo maintains control over all aspects of merchandise planning, product sourcing, inventory management and product preparation. This allows LXRandCo to ensure that it can offer consumers the right product, at the right time, at the right price and across all channels. As part of this process, product quality and authentication are also meticulously evaluated and controlled by LXRandCo.

Merchandise Planning

LXRandCo's merchandising strategy targets women of all ages and is designed to appeal to the aspirational lifestyle needs of consumers throughout the various stages of their lives. To respond to evolving consumer tastes, LXRandCo maintains a flexible assortment of historically popular items and new emerging luxury products and brands. This strategic mix helps LXRandCo to maintain customer engagement by delivering both iconic 'must-haves', while generating sales from more recently popular luxury brands and products.

LXRandCo alters its product and brand mix based on customer demands and trends in the luxury goods market with a view of creating an ongoing engagement with customers and a connection to the

LXRandCo brand as the leading source of pre-owned vintage luxury products. When introducing new products or brands, LXRandCo purchases initial order quantities that allow it to monitor consumer demand and later follows up with additional orders as required. LXRandCo analyzes sales data on a real-time basis in order to make inventory adjustments and to respond to the latest demand patterns. When necessary, LXRandCo can transfer inventory from store to store within its retail network.

Typically, LXRandCo introduces merchandise simultaneously in its retail network and online. A typical store will carry an assortment of approximately 50 to 500 items, with two or three times that amount held in storage at the retail location. LXRandCo's inventory management systems provide it with the ability and flexibility to optimize inventory across its retail network to ensure that each store is merchandised with products that resonate with local preferences. By actively monitoring sell-through rates and managing the mix of products and brands in its stores, LXRandCo is able to respond to trends in a timely manner, minimize its dependence on any particular model, style or brand and preserve a balanced, coordinated presentation of merchandise within each store.

Sourcing

LXRandCo sources its merchandise of pre-owned vintage luxury products from third party suppliers in Japan and directly from individuals in North America. LXRandCo's business model is based on purchasing and owning its merchandise as opposed to a consumer-based consignment model. LXRandCo believes that its sourcing model is a competitive advantage that allows it to more cost effectively secure large quantities of specific merchandise and to better control product quality and assortment. In 2018, approximately 88% of LXRandCo's inventory was sourced from third party suppliers in Japan and 12% from others, including 4% directly from consumers through its consumer buying program which was launched in November 2016.

The market for pre-owned vintage luxury products in Japan is well-established. In order to purchase from third party suppliers, a buyer must have a Public Safety Commission Curio/used Dealer License that is issued by the Japanese police authorities. Other than ensuring that goods purchased are clear of any intellectual property rights and endangered species violations, there are no other regulations or tariffs regarding the buying and exporting of used luxury handbags and accessories from Japan.

LXRandCo has been operating in the Japanese market since 2010, and it holds the necessary license to allow it to transact with third party suppliers. In addition to requiring buyers to hold the requisite license, third party suppliers value buyers who understand the business culture in Japan and have an ability to conduct business in Japanese. Management believes that its strong local presence and its understanding of Japanese culture and business practices have allowed it to forge strong relationships with suppliers, some of which engage in business on a 'by invitation' only basis. As at December 31, 2018, LXRandCo had 19 employees in its Tokyo office, four of which were focused on sourcing.

Contracts terms with third party suppliers generally include: the specific products to be purchased within a condition rating range; the total dollar amount of purchase commitment; and the term before which the commitment must be fulfilled. Depending on the availability of product, not all contracts are entirely fulfilled. Unfilled purchase commitments could then, if required, be fulfilled through purchases from other suppliers or direct from consumers.

LXRandCo maintains strong relationships with a diversified base of third party suppliers. In 2018, LXRandCo's top five third party suppliers in Japan accounted for approximately 69% of its purchases, and the largest third party supplier represented approximately 42% of the total. All purchases through third party suppliers are guaranteed with respect to authenticity and represented condition rating. Irrespective of third party guarantees, LXRandCo inspects all purchases to independently verify and confirm authenticity. LXRandCo guarantees the authenticity of the products it sells to customers.

LXRandCo's consumer buying program focuses on the efficient acceptance, inspection and purchase of inventory directly from the individuals in store and online. Store managers at select retail locations are trained as to quality screening and authentication processes and are authorized to qualify the purchase of products, subject to final authentication and price approval sign-off from LXRandCo's trained appraisers who are capable of delivering services to LXRandCo locations across geographies both on-site and remotely. Offers of purchase can be made while customers wait (within 60 minutes). LXRandCo's website also provides consumers with an alternative channel through which they may sell their products to the Company. As at December 31, 2018, LXRandCo was purchasing inventory directly from consumers at 49 of its 86 stores.

Management believes that there is an opportunity to increase its consumer buying program to further diversify its sourcing and as a way to increase product margins through reduced transport and logistics costs, and import duties. As LXRandCo's retail network and e-commerce activities expand, LXRandCo will aim to increase its consumer buying program.

Product Inspection and Preparation

LXRandCo's product inspection and preparation process is managed by a team of product specialists and trained appraisers located primarily in Tokyo and Montréal that validate the condition and authenticity of purchased merchandise and prepare merchandise for sale. Each product specialist has a minimum of three to five years of experience in management positions in the luxury products industry.

With respect to merchandise sourced in Japan, all merchandise is shipped to LXRandCo's Tokyo facilities. Merchandise is initially checked-in and verified against sourcing purchase orders to ensure compliance with order specifications. The merchandise is then inspected, authenticated and given a condition rating based on LXRandCo's condition rating grid, and price is established for re-sale. Goods that are shipped from Japan to other geographies may incur import duties in varying amounts depending on the country of destination, and any such amounts are factored into LXRandCo's pricing. Authentication is confirmed based on the judgement and expertise of LXRandCo's trained appraisers. Any products that cannot be authenticated with certainty are returned to sources of supply. Product details, including any wear and tear, are photographed and recorded. All details are entered into LXRandCo's proprietary database at which point product details and specifications are re-confirmed. Prior to shipping, merchandise is again re-inspected and then packaged and prepared for shipping based on individual store requirements.

Products are shipped via common carrier either directly to stores, LXRandCo's Montréal office or a warehouse facility located in Monroe, New Jersey, which is managed under contract by a third party services provider. LXRandCo believes that shipping most of its products directly to stores minimizes warehousing costs and ultimately allows most of LXRandCo's inventory to be showcased in its retail network. For e-commerce sales that need to be fulfilled with products that are in the retail store network, sales associates are notified and are responsible for re-packing the product and shipping it directly to the customer in accordance with LXRandCo's delivery commitments.

For products sourced by LXRandCo pursuant to its consumer buying program, upon acceptance, merchandise that is purchased through LXRandCo's online channel is shipped by the seller to LXRandCo's Montréal office or the New Jersey warehouse facility for subsequent re-distribution, and merchandise that is purchased in an LXRandCo store remains in the store for re-sale. In either case, product details are entered into LXRandCo's proprietary database to maintain proper inventory control.

Omni-channel Sales Network

LXRandCo's omni-channel sales network includes: a retail network consisting of "shop-in-shop" stores , established in partnership with major department store retailers in Canada and the United States; wholesale operations primarily in the United States; and an e-commerce channel. At the end of 2018, LXRandCo had five retail partners, and LXRandCo's retail network consisted of 86 stores with 77 stores located in the United States and nine located in Canada,. With over 162,000 active online subscribers at the end of 2018, LXRandCo's e-commerce revenue solely from its website represented approximately 5% of net revenue.

LXRandCo is an integrated omni-channel business and management believes that its sales channels are synergistic and complementary in simultaneously driving foot traffic at retail stores, increasing subscriber additions online, augmenting LXRandCo brand awareness and generating sales.

Retail Network

As at December 31, 2018, LXRandCo's retail network consisted of 86 stores. LXRandCo's store retail activities also include setting up and operating 'pop-up' stores as a strategy to assess demand for its products in new markets.

LXRandCo's stores are designed to be rapidly scalable and productive on a revenue per square foot and inventory turnover basis. LXRandCo's Revenue per Square Foot in 2018 was $2,064, and LXRandCo's Inventory Turnover was 2.4 times in 2018.

In 2018, LXRandCo had five retail partners, and LXRandCo's largest retail partner represented approximately 25% of total net revenue in 2018 which was diversified over a retail network of 86 stores.

For its stores, LXRandCo enters into a licensing agreement with department store retail partners for leased space within their store, which includes a variable rent arrangement (a license fee) set as a fixed percentage of LXRandCo sales (subject to minimum payments), an agreement on the "shop-in-shop" size within a partner's store and contract duration (which is typically three years with automatic renewal options on mutually acceptable terms). While store space allocation generally varies between 100 and 1,500 square feet, LXRandCo's targeted store size is approximately 250 square feet. Under retail store agreements, LXRandCo is responsible for ongoing store operating costs including staffing, the supply of LXRandCo branded signage and packaging materials, and other marketing materials. LXRandCo is also responsible for funding store opening capital costs, which are estimated to be approximately $37,500 based on a store size of 250 square feet and include investments in display cases and fixtures. While it is not specified in any agreement, there is an understanding between LXRandCo and the retail partner on the approximate total number of stores to be opened during the term of the agreement and the timing of store openings. LXRandCo owns the product inventory being sold in the stores.

Retail stores are led by store managers who report to store regional managers. Depending on store size, store managers are supported by one to three sales associates who have a love for vintage luxury and a passion for service. LXRandCo has a training program that educates its sales associates in the storied history of luxury products and brands as well as instills a focus on delivering a knowledgeable personalized shopping experience.

Wholesale Operations

In 2018, LXRandCo had 56 wholesale clients located primarily in the United States. LXRandCo's wholesale operations address opportunities with department store retail partners that prefer to purchase inventory outright from LXRandCo under a private label format and sell products through their own retail network under their own banner. Wholesale contracts generally stipulate quantity and assortment of merchandise and price based on a fixed margin to LXRandCo. Under such arrangements, LXRandCo has minimal to no inventory carrying risk, and the wholesale client is responsible for all capital and operating costs relating to the sale of the products.

In addition to contributing to LXRandCo's revenue, wholesale activities occasionally serve as a proving ground for learning how to conduct business in a new country or region and to gauge demand for LXRandCo's products in new markets.

E-Commerce

LXRandCo's e-commerce business was launched in 2013, and LXRandCo had over 162,000 active online subscribers at the end of 2018. LXRandCo believes there is a unique opportunity to leverage its retail network to significantly expand its e-commerce business. In 2018, LXRandCo's e-commerce channel contributed approximately 5% of total net revenue.

LXRandCo currently operates a Canadian website (available in English & French) as well as a dedicated U.S.-only website. In 2017, LXRandCo introduced an enhanced website experience which features revised branding, increased search and product discovery functionality, upgraded photography and video imagery, and a site optimized across all mobile devices.

LXRandCo's e-commerce business is supported by a team of three dedicated professionals located in Montréal that, among other services, engage in customer service support, subscriber marketing and logistics activities.

Management believes there is a complementary relationship between its retail activities at physical stores and its e-commerce channel online. Management anticipates that its retail network presence will benefit e-commerce sales as LXRandCo's brand awareness increases and retail customer relationships get extended to online and vice versa.

LXRandCo's website is also designed to accommodate and facilitate the experience for customers who want to sell their products to the Company. See "– Product Strategy and Sourcing – Sourcing".

Marketing

LXRandCo's marketing focuses on increasing brand awareness, reaching and converting omni-channel consumers and increasing its consumer base. LXRandCo employs marketing strategies that express its core values which LXRandCo believes has a meaningful impact on increasing awareness and affinity for LXRandCo in existing markets and in growth markets internationally.

LXRandCo aspires to connect people with pre-owned luxury products and to inspire new pride in modern-vintage luxury products. In addition to satisfying the aspirational experience associated with owning luxury products, LXRandCo leverages the growing acceptability of 're-use' and 'pre-owned' among consumers as a means of providing luxury products at attractive price points while engaging consumers in extending product lifecycles. Given the nature of the products sold by LXRandCo, communicating and offering an authentic and trusted experience, whether it is in-store or online, is an important element of the brand's core value.

LXRandCo focuses its marketing resources on relationship building activities designed to cultivate, maintain and expand its customer base. LXRandCo has a robust customer database which allows for targeted segmentation, direct marketing and personalized interaction with its customers.

LXRandCo's digital marketing strategy is to use its e-commerce business as an extension of its retail network experience and social media avenues such as Instagram, Pinterest, Facebook and Twitter. This allows LXRandCo to not only communicate with its retail and online customers, but also to interact and drive customer engagement by encouraging user-generated photos, videos, art and other content for use on www.lxrco.com.

Information Systems

LXRandCo has strategically invested in its information technology infrastructure in order to allow the Company to pursue growth opportunities and manage operations on an efficient basis.

In 2012, LXRandCo launched its first asset management software (AMS) to assist in product preparation and inventory management. This system was upgraded in 2015 and 2016 with a more sophisticated and functional system which allows LXRandCo to manage and streamline inventory production, merchandising, sales, logistics and reporting.

LXRandCo launched its first e-commerce website in 2013. The site was upgraded in 2015, 2016 and 2017 with a self-scalable version with new features such as multiple currencies and auto-managed inventory to enlarge LXRandCo's product offering and accommodate higher traffic. As part of re-branding initiatives undertaken in late 2016, LXRandCo has re-released a new website in 2017 that features LXRandCo's new brand aesthetic and an interface that offers an enhanced user experience.

LXRandCo uses Office 365 as a software productivity tool within the company and as a means of ensuring collaboration across functional groups. In 2017, LXRandCo has implemented a new point-of-sale (POS) system, a customer relationship management (CRM) system and a customer loyalty program to continue to support its omni-channel capabilities and drive more sales. In 2018, LXR began its implementation of an ERP (Enterprise Resource Planning) system with key functionalities such as the management of financial information, and enhanced inventory and supply chain management. Management believes that these initiatives along with the continuous improvement of LXRandCo's information technology infrastructure and software development practices will contribute to increasing productivity, supporting growth and driving sales.

Employees

At as December 31, 2018, LXRandCo had 179 employees of which 42 were employed in various head office and support function roles in Montréal, 118 across its retail network and 19 in its Tokyo, Japan, office in sourcing and product inspection and preparation capacities. LXRandCo hires additional part-time employees for its stores, customer support services, and sourcing and product inspection and preparation functions during periods of high activity to manage peak periods. LXRandCo's employees are not covered by a collective bargaining agreement, and LXRandCo has no history of labour-related work stoppages.

Offices and Facilities

LXRandCo's head offices are located in Montréal, Québec. The Montréal office, which is approximately 14,000 square feet of leased space, serves as LXRandCo's headquarters and is also used as a distribution centre and for retail and e-commerce support services. The Tokyo office, which is approximately 3,000 square feet of leased space, houses the sourcing and product preparation teams and also serves as a distribution center where merchandise purchases are received and products for sale are subsequently shipped directly to retail stores, the Montréal office and/or a warehouse facility in Cranbury, New Jersey. LXRandCo leases space in the New Jersey warehouse facility on an as required basis from a third party warehousing services provider. The New Jersey warehouse facility primarily services LXRandCo's U.S.-based retail network and e-commerce operations.

Intellectual Property

LXRandCo has a right of ownership to all necessary intellectual property needed to operate its business in its actual form. LXRandCo's major trademarks include "*LXR & Co.*", which has been registered in the United States, *"LXRandCo"*, which is the subject of a pending trademark application (formalities completed) in Canada, and the domain name www.lxrco.com. LXRandCo intends to continue to strategically register trademarks and domain names that it uses today and those it will develop in the future.

LXRandCo is not currently aware of any claims of infringement or challenges to its right to use any of its marks in Canada or the United States or elsewhere.

Competitive Strengths

Integrated International Omni-Channel Retailer

LXRandCo is a North American omni-channel retailer of branded vintage luxury handbags and accessories. LXRandCo's omni-channel sales network includes: a retail network consisting of LXRandCo-branded ”shop-in-shop” stores established in partnership with major department store retailers in Canada and the United States; wholesale operations primarily in the United States; and an e-commerce channel operating in Canada and the United States. LXRandCo operates as an integrated omni-channel business and management believes that its sales channels are synergistic and complementary in simultaneously driving foot traffic at retail stores, increasing subscriber additions online, augmenting LXRandCo brand awareness and generating sales.

Rapidly Scalable “Shop-in-Shop” Model with Limited Capital Expenditures and Attractive Economics

LXRandCo’s unique ”shop-in-shop” retail model has been successfully deployed in major department stores. LXRandCo’s stores are designed to be rapidly scalable and productive on a revenue per square foot basis and generate high inventory turnover. In 2018, LXRandCo’s Revenue per Square Foot was $2,064, and LXRandCo’s Inventory Turnover was 2.4 times.

Optimized Product Assortment and Well-Established Sourcing and Authentication Model

LXRandCo maintains control over all aspects of merchandising, product sourcing, product preparation and inventory management, which allows it to offer its customers a curated and deep assortment of branded pre-owned vintage luxury products at attractive price points throughout its omni-channel network. Managed by a team of product specialists located in Tokyo and Montréal that validate the condition and authenticity of purchased merchandise, LXRandCo sources its merchandise primarily from third party suppliers in Japan, and directly from consumers in North America. Unlike most of its competitors who favour a product consignment model, LXRandCo’s model is based on purchasing its merchandise, which allows it to cost effectively secure large quantities of targeted merchandise and to better control quality and product assortment across its channels. Product authentication is determined based on the judgement and expertise of LXRandCo’s trained appraisers. LXRandCo guarantees the authenticity of all the products it sells.

Strong Retail Partner Relationships with Attractive Value Proposition

At the end of 2018, LXRandCo had 86 stores that were located across five retail partner department store banners in Canada and the United States. LXRandCo’s presence within retail partner department stores makes branded luxury goods available and accessible to customers where such products would otherwise not be offered. As such, LXRandCo’s ”shop-in-shop” stores can potentially draw incremental foot traffic to the department stores. In addition, retail partners benefit from the economics resulting from the productivity of LXRandCo’s stores.

Entrepreneurial and Engaged Team

Led by Steven Goldsmith, Chief Executive Officer, Fred Mannella, Founder and Chief Development Officer, and Kei Izawa, Co-Founder and Chief Operating Officer, LXRandCo has grown into an important North American omni-channel retailer of pre-owned vintage luxury handbags and accessories. LXRandCo’s executive management team is composed of seven professionals who have expertise in retailing, luxury products marketing and operational leadership.

Growth Strategy

During a period of significant growth in which the Company’s retail network expanded to 133 locations at the end of 2017 from 15 at the end of 2015, the Company experienced significant operational and financial challenges. In May 2018, LXRandCo’s Board of Directors appointed an experienced retail executive, and a current director of the Company, Steven Goldsmith, as President and Chief Executive Officer, bringing 30 years of retail operations experience to the Company. Mr. Goldsmith undertook a comprehensive evaluation of the Company, and led the development and implementation of a revised business strategy focused on prudent revenue growth, margin expansion and sustainable cash flow generation. The key components of that revised strategy are:

1. Refocusing of the retail store network on the U.S. and Canada;

2. Implementing a refined retail partner model focused on contribution margin to the Company;

3. Streamlining the product offering solely to vintage branded luxury women's handbags and accessories, the Company's core competency and, typically, the customer's primary entry point to luxury brands;

4. Expanding gross margin through an increased geographical and product focus, and generating a higher proportion of e-commerce and wholesale revenue; and,

5. Cost management through the closure of the European business and a comprehensive cost-reduction plan to bring selling, general and administrative expenses in line with the revised revenue growth trajectory.

Having made significant progress on the revised strategy in the second half of 2018, the Company is pursuing revenue growth with specific strategies and initiatives in each of the three channels of its omni-channel network. The Company also intends to expand its gross margin, while prudently managing its cost structure, with the objective to have sustainable positive cash flow from operations and profitability.

Focus and Expand the Retail Network

Under its revised strategy, the Company narrowed its focus to the largest designated market area (DMAs), and in the first half of 2018 closed all of its 28 stores in Europe, which in aggregate, were more negatively impacted by higher store costs than its North American counterpart business (including higher labour costs and costs due to increased regulatory and compliance requirements), higher corporate costs to support an overseas business, and a lack of scale. The Company also closed all of its 16 store locations with one of its retail partners (located predominantly in the Northeast United States) in the first half of 2018, which in aggregate underperformed the Company's expectations on both a revenue growth and profitability basis. At the end of 2018, the Company had 86 locations with six retail partners.

LXRandCo plans to expand the number of stores in its retail network by establishing a presence in the 25 to 30 largest DMAs in the U.S. and Canada, which in aggregate represent more than half the combined population of both countries. The Company plans to open new stores with selective partners using its refined retail partner model, which enables a spectrum of operational and financial arrangements with the Company's retail partners to optimize contribution margin to LXRandCo across a wide variety of scenarios. This will support the Company's objective to operate profitably with each partner.

Expand the E-Commerce Business

LXRandCo is intensifying its efforts to grow its significantly underpenetrated e-commerce opportunity. Having leveraged its first-mover advantage to become the only vintage luxury handbag retailer with a national physical retail network, LXR will invest significantly in its online customer acquisition for its own web property, including:

- Increasing investment in search engine optimization; and

- Implementing new initiatives in marketing and customer retention.

LXRandCo is in the early phases of leveraging advanced business intelligence and behaviour analytics to further enhance its understanding of its customers. This includes optimizing its online operations to enhance personalization, which LXRandCo believes will drive higher conversion and customer loyalty.

LXRandCo is also focusing on driving incremental business through its retail partners' e-commerce platforms by better leveraging their digital strategies, as well as expand its digital reach through the addition of new online retail partners.

Management also believes there is a complementary relationship between its retail network and its e-commerce operations, with the success of each channel benefiting the other. As LXRandCo continues to expand its physical retail network across North America, management believes that its e-commerce business will benefit from the increased awareness of the LXRandCo brand resulting from its larger and more expansive store network and the opportunity to extend retail network customer relationships to online and vice versa.

In 2018, LXRandCo's e-commerce revenue from its website represented approximately 5.0% of total net revenue and approximatively 7% when including the online sales of LXRandCo products through the websites of its retail partners.

Expand the Wholesale Business

LXRandCo is pursuing new growth initiatives for the wholesale component of its retail partner model, which is an established channel with significant opportunity. Wholesale arrangements enable LXR to profitably expand its physical retail network to stores for which a license agreement is not economically feasible, as well as to assess the potential of its product offering in new geographic areas and with new retail partners.

Gross Margin Expansion

In addition to growing sales, LXRandCo intends to expand gross margin. The narrowing of its geographical focus to the U.S. and Canada and the streamlining of its product offering solely to vintage branded luxury women's handbags and accessories are each expected to favourably impact gross margin. In addition, LXRandCo expects gross margin to benefit from:

- Increased e-commerce and wholesale sales over both the short- and medium-term; and
- More efficient logistics and a more disciplined inventory purchasing approach.

LXRandCo will also pursue margin expansion by diversifying its supply channels, specifically by increasing the amount of product it sources directly from consumers, which typically have lower or no duties, transport and shipping costs, while still maintaining the benefits of better inventory control achieved through purchases from third party suppliers. The increase in LXRandCo's consumer buying program is expected to be facilitated by the planned expansion in LXRandCo's retail network and growth in e-commerce business.

Pursue Attractive Acquisition Opportunities

Where appropriate, the Company may pursue acquisitions that complement its strategic initiatives. In the near term, LXRandCo will consider opportunities that augment its e-commerce capability and diversify its sources of supply. In the longer term, LXRandCo may consider adding new product categories to its product offering and/or alternative and complementary distribution channels through selective acquisitions.

OUR INDUSTRY

Overview

LXRandCo is a North American omni-channel retailer of branded pre-owned vintage luxury handbags and accessories that it sells through its retail network of stores located in major department stores, wholesales operations and its e-commerce channel.

LXRandCo operates in the pre-owned vintage luxury personal goods segment of the global luxury personal goods market. While specific market size statistics are not available for sales of pre-owned vintage luxury goods, management believes that the size of the pre-owned vintage segment is anchored by the substantial size of the primary market for luxury personal goods. Management also believes that the growth prospects and attractiveness of the pre-owned vintage luxury market are favourable given the greater affordability and accessibility of pre-owned luxury goods, the increased social acceptance of 're-use' and affinity of consumers to extend product lifecycles.

Luxury Personal Goods Market

The global luxury personal goods market, which includes the luxury products categories of beauty, apparel, watches and jewelry, and accessories, which includes leather goods and shoes, is large and stable. According to Bain & Company, global personal luxury goods sales grew by 6% (at constant exchange rates) between 2017 and 2018 to reach €260 billion. Looking forward, Bain & Company expects that the market for personal luxury goods will grow at a CAGR of 3% to 5% to approximately €320 billion to €365 billion by 2025.

Bain & Company reported that in 2015 the U.S. market represented nearly one third of the global market and was the largest personal luxury goods market. According to Euromonitor International, sales of personal luxury goods in the United States were US$83.7 billion in 2016 and are expected to grow at a CAGR of 2.3% between 2016 and 2020 to US$91.8 billion. Euromonitor International cited that factors affecting the level of consumption of personal luxury goods include discretionary spending by domestic consumers and currency fluctuations which affect the level of spending by tourists. According to Bain & Company, in 2018, the Americas market (including both North and South America) grew by 5%. At €80 billion, it remains a crucial market for luxury brands, despite the challenging environment for department stores.

According to Bain & Company, wholesale remains the largest channel for luxury goods, accounting for roughly two-thirds of all sales. Yet the retail channel continued growing steadily – rising 4% in 2018 alone – as companies increasingly seek to control the experience they deliver to customers. Of that gain, 1% came from new-store openings and the remaining 3% came from same-store sales growth. Wholesale grew by only 1%, as the strong performance of specialty stores was partially offset by the disappointing performance of department stores globally. Off-price stores and airport stores continued to show strong growth with both gaining 7%.

Management believes that the significant size of the global personal luxury goods market supports favourable demand for pre-owned luxury goods. In addition, the size of the global personal luxury goods market is a significant potential source of supply of luxury goods to be acquired for re-sale as pre-owned vintage luxury products. According to Bain & Company, the primary market for personal luxury goods in Japan, where LXRandCo primarily sources its pre-owned merchandise, grew by 6% in 2018 to €22 billion.

According to Bain & Company, the global market for online luxury goods in 2017 grew 23% from 2016 to €22 billion, significantly outperforming the rest of the personal luxury goods market. In 2018, online sales increased by 22%. The Americas market makes up approximately half of global online luxury sales which total €27 billion. Accessories (including handbags and shoes) remained the top category sold online, ahead of apparel. Beauty and hard luxury (jewelry and watches) were both on the rise. Brands through their own websites accounted for 31% of sales. Nevertheless, the majority of online sales continue to be made through specialized luxury e-tailers

Competitive Landscape

LXRandCo competes primarily with North American e-commerce retailers of pre-owned branded vintage luxury products, some of which operate modest retail store networks. LXRandCo's primary competitors include: The RealReal, Inc. ("**TheRealReal**"), Fashionphile, LLC ("**Fashionphile**"), Trendlee, Inc. ("**Trendlee**"), WGACA, LLC ("**WGACA**"), Tradesy, Inc. ("**Tradesy**"), Vestiaire Collective SA ("**Vestiaire Collective**") and Poshmark, Inc. ("**Poshmark**"). Among these competitors, TheRealReal, Vestiaire Collective, Tradesy and Poshmark operate exclusively online and source their inventory typically through a product consignment model (whereby consumers still own the goods), while Fashionphile, Trendlee and WGACA purchase their inventory outright from consumers. In the case of Fashionphile and WGACA, both operate e-commerce activities and a limited network of freestanding stores. As at December 31, 2017, Fashionphile reported having three stores in California, USA, and WGACA had five stores at various locations in the United States. As at December 31, 2018, LXRandCo had a retail network of 86 stores.

Management believes that it competes favourably against these companies based on its unique competitive advantages which include: an integrated omni-channel network consisting of a retail "shop-in-shop" stores, wholesale operations and e-commerce capabilities; and, a unique and diversified product sourcing strategy whereby LXRandCo takes physical ownership of its inventory. As a result, LXRandCo believes that it can better provide its targeted customers with a curated offering of pre-owned luxury products and brands at an attractive value with greater accessibility to consumers.

LXRandCo also competes in a very limited way with original manufacturers and retailers of new branded luxury handbags and accessories. Generally, primary branded luxury products are offered for sale at premium pricing with their availability strategically restricted to high-end luxury goods retailers and specialty stores, and within luxury goods manufacturers' own monobrand stores (and their online channels). Typically, new branded luxury goods cater to an affluent demographic where brand status, product originality and newness, and the high quality associated with these products override pricing considerations. While LXRandCo may compete against new product manufacturers and luxury goods retailers for certain products, the pre-owned vintage luxury products offered by LXRandCo generally cater to a more aspirational demographic that considers price, accessibility and quality for money to be important purchasing considerations. LXRandCo's pre-owned products are typically priced on average approximately 50% lower than that of comparable new products based on, among other things, the scarcity value and the condition of a given product. Also, LXRandCo sells its products through a "shop-in-shop" stores located in major department stores that would otherwise not have access to the new versions of luxury products and brands offered by LXRandCo.

RISK FACTORS

The following specific factors could materially adversely affect us and should be considered when deciding whether to make an investment in LXRandCo and the Shares. The risks and uncertainties, described in this Annual Information Form and the information incorporated by reference herein are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows and consequently the price of the Shares could be materially and adversely affected. In all these cases, the trading price of the Shares could decline, and prospective investors could lose all or part of their investment.

Risks Related to Our Business and Industry

LXRandCo's future growth and profitability will depend on the effectiveness and efficiency of implementing its strategic plan.

The Company's future growth and profitability will be dependent in part on the effectiveness and efficiency of implementing the Company's strategic plan announced on June 13, 2018, including without limitation, the ability of the Company to (i) refocus its physical retail network presence in the U.S. and Canada, (ii) streamline its product offering solely to branded vintage luxury women's handbags and accessories, (iii) serve its customers across the multiple channels, with a focus on e-commerce, and (iv) carry out a cost reduction plan to bring selling, general and administrative costs in line with the revised revenue growth trajectory. There can be no assurance that the Company's strategic plan will be successfully implemented, or that the strategic plan will result in enhanced financial results.

LXRandCo's future growth and profitability will depend on having sufficient funds to execute its strategic plan.

Notwithstanding the closing of the Private Placement on March 4, 2019, the Company's ability to continue as a going concern is contingent upon the Company successfully carrying out the various components of its strategic plan and/or its ability to obtain additional sources of capital to finance operations in the future. To the extent additional capital is required, there is no assurance that additional capital will be available on acceptable terms, if at all. Similarly, the Company's revenue from sales is not currently sufficient to fund its operations. LXRandCo's inability to carry out its strategic plan or obtain sufficient additional capital may have a material adverse effect on the business, results of operations and/or financial condition. If additional financing is raised through the issuance of equity or convertible debt securities, the interests of the Company's shareholders may be diluted.

As a consequence of the Private Placement, the Company was subject to a mandatory de-listing review by the TSX, which could ultimately result in the de-listing of the Common Shares from the TSX.

As a result of the Company's reliance on the financial hardship exemption from the requirement to obtain shareholder approval for the Private Placement which closed on March 4, 2019, the TSX placed the Company under a remedial delisting review. A delisting review is customary practice under TSX policies when a listed company requests relief in reliance on this exemption. Pursuant to the TSX's remedial review process, the TSX has been reviewing the eligibility for continued listing on TSX of the securities of the Company pursuant to Part VII of the TSX Company Manual. Based on this review, the TSX may decide to delist the Company if the Company's financial condition is such that it is questionable as to whether it will be able to continue as a going concern. In making this determination, the TSX may consider, among other things, LXRandCo's ability to meet its obligations as well as disclosures in financial statements regarding the Company's ability to continue as a going concern. If concerns persist regarding LXRandCo's ability to continue as a going concern, it is possible that the TSX delists the securities of the Company for trading on the TSX.

LXRandCo currently has a significant dependence on a limited number of retail partners. LXRandCo's growth strategies depend in part upon its ability to identify new retail partners (both physical and digital) and enter into agreements with such partners for opening new stores and digital channels, and to then successfully open such new stores in a timely and cost-effective manner.

At the end of 2018, LXRandCo had five retail partners. LXRandCo's most significant retail partner accounted for approximately 20% of total net revenue in 2018 which was diversified across 86 stores during that period. A significant reduction in commitments to renew existing agreements or reduce the number of LXRandCo stores by LXRandCo's retail partners could have a material adverse effect on LXRandCo's prospects, business, financial condition and results of operations, if not offset by new retail partners (physical and digital) or an increase in business from other existing retail partners. Also, with respect to agreements or contracts with retail partners, the number of stores to be opened and the timing of such openings is generally not included in the agreement or contract. The number of store openings and the timing of such openings is usually based on an understanding between LXRandCo and the retail partner. A significant reduction in commitments by retail partners to open stores or a decision to delay the launch of such stores could have a material adverse effect on LXRandCo's prospects, business, financial condition and results of operations, if not offset by new retail partners or an increase in business from other existing retail partners.

Part of LXRandCo's growth strategy depends on continuing to significantly expand its retail network. In order to do so, LXRandCo must identify and enter into agreements with retail partners to allow for the opening of new stores and digital channels. LXRandCo's current expansion plans are only estimates, and the actual number of stores LXRandCo opens, the timeline on which LXRandCo does so and the actual number of suitable locations for its new stores could differ significantly from LXRandCo's estimates. There can be no assurance that LXRandCo will be able to identify new retail partners and successfully negotiate agreements with such partners for new store openings. LXRandCo's inability to do so could negatively affect LXRandCo's growth strategy and financial results.

LXRandCo's ability to successfully open new stores in a timely and cost effective manner depends on many factors that may be outside of LXRandCo's control including, among others, LXRandCo's ability to:

- maintain out-of-pocket, capital costs in line with its store economic model, and managing costs at reasonable levels;
- efficiently source merchandise consistent with LXRandCo's value offering;
- hire, train and retain a growing workforce of store managers, sales associates and other personnel, including key management personnel;
- successfully integrate new stores into its existing control structure and operations, including its information technology systems;
- efficiently expand the operations of its distribution facilities to meet the needs of a growing store network;
- identify and satisfy the merchandise and other preferences of its customers in new geographic areas and markets; and
- address competitive, merchandising, marketing, distribution and other challenges encountered in connection with expansion into new geographic areas and markets.

In addition, LXRandCo's ability to successfully open new stores in a timely and cost effective manner may be affected by decisions made by its retail partners that could delay such openings.

LXRandCo is exposed to credit risk resulting from the possibility that its retail partners may default on their obligations to it. A default by any of LXRandCo's retail partners could have a material financial effect on the business, financial condition and results of operation of LXRandCo. There can be no assurance, in such a case, that LXRandCo would be in a position to arrange for alternate or replacement agreements, transactions or business relationships on terms as favorable as LXRandCo's existing agreements, transactions or business relationships, in a timely fashion.

LXRandCo currently depends on a limited number of retail partners, each accounting for a significant portion of LXRandCo's revenues. A default by any one of LXRandCo's retail partners could have a material adverse effect on LXRandCo's business, financial condition and results of operations. Current economic, industry and market conditions could result in increased risks to LXRandCo associated with the potential financial distress or insolvency of such retail partners. If any of LXRandCo's retail partners were to become subject to bankruptcy, receivership or similar proceedings, its rights and benefits in relation to its agreements, transactions and business relationships could be terminated, modified in a manner adverse to LXRandCo, or otherwise impaired. LXRandCo cannot make any assurances that it would, in such a case, be in a position to arrange for alternate or replacement agreements, transactions or business relationships on terms as favorable as LXRandCo's existing agreements, transactions or business relationships, in a timely fashion, if at all. Any inability on LXRandCo's part to do so could have a material adverse effect on its business, financial condition and results of operations.

LXRandCo currently has a dependence on a concentrated number of third party suppliers. LXRandCo's ability to obtain merchandise on a timely basis at competitive costs could suffer as a result of any deterioration or change in LXRandCo's supplier relationships or events that adversely affect its suppliers or cause disruptions in their businesses.

LXRandCo purchases products primarily from third party suppliers in Japan, as well as directly from consumers. LXRandCo's third party suppliers are affected by, among other things, the availability of products for resale, increases in labour costs, labour disputes and disruptions, regulatory changes, political or economic instability, natural disasters, trade restrictions, tariffs, currency exchange rates, transport capacity and costs and other factors relating to foreign trade. These factors are beyond the control of LXRandCo, may adversely affect LXRandCo's suppliers or cause disruptions to their businesses and may impact LXRandCo's ability to source products on acceptable terms.

LXRandCo maintains strong relationships with a diversified base of third party suppliers. In 2018, LXRandCo's top five third party suppliers in Japan accounted for approximately 69% of its total purchases, and the largest third party supplier represented approximately 42% of the total. Any of LXRandCo's suppliers could discontinue their relationship with LXRandCo, or cease to provide products on a satisfactory basis for a variety of reasons beyond LXRandCo's control.

The benefits LXRandCo currently receives from its supplier relationships could be adversely affected if its suppliers:

- choose to cease their relationship with LXRandCo;
- raise the prices they charge LXRandCo;
- change pricing terms to require LXRandCo to pay earlier or upfront resulting from, among other things, changes in the credit relationships some of LXRandCo's suppliers have with their various lending institutions;
- sell competitive merchandise to LXRandCo's competitors with similar or better pricing;
- choose to compete directly or indirectly with LXRandCo in certain or all geographic markets, and as a result, stop selling products to LXRandCo, reduce product availability or sell products to LXRandCo on less favourable terms; or
- lengthen their lead times.

LXRandCo currently sources approximately 4% of its products directly from its consumers, primarily in North America. While the strategy of LXRandCo is to increase the amount of products sourced directly from individuals, there are no assurances that LXRandCo will be able to successfully access this source of product supply in sufficient quantity and quality on desired terms and in a timely manner.

There can be no assurance that LXRandCo will be able to source desired products from any of its direct from consumer channels located across its retail network and online in sufficient quantities on acceptable terms, or at all, in the future, especially if LXRandCo needs significantly greater amounts of inventory in connection with the growth of its business. LXRandCo may need to develop relationships with new suppliers (such as e-commerce competitors with excess inventory), as its current direct to consumer channels may be unable to continue to supply LXRandCo with needed quantities. LXRandCo may not be able to obtain the same favourable terms and depth of merchandise from these new suppliers. If LXRandCo is unable to scale its sourcing and obtain suitable merchandise in sufficient quantities at acceptable prices with adequate delivery times from its direct to consumer channels, it may adversely affect LXRandCo's business, its ability to increase gross margins over time and results of operations.

If LXRandCo loses the services of members of its senior management team or other key personnel, or is unable to attract new executives who possess specialized market knowledge and technical skills, LXRandCo's ability to compete and to manage its operations effectively could be reduced.

LXRandCo's management team includes Steven Goldsmith, President and Chief Executive Officer, Fred Mannella, Founder and Chief Development Officer, and Kei Izawa, Co-Founder and Chief Operating Officer, as well as a core group of officers experts in matters of finance, procurement, marketing, information technology and store operations. The loss of the technical knowledge, management expertise and knowledge of LXRandCo's operations of one or more members of the LXRandCo management team could result in a diversion of management resources, as the remaining members of management would need to cover the duties of any executives who leave LXRandCo and would need to spend time usually reserved for managing LXRandCo's business to recruit, hire and train new members of management.

The loss of some or all of LXRandCo's management team or other key personnel, or its inability to successfully recruit new executives, could negatively affect LXRandCo's ability to develop and pursue its growth strategy, which could in turn adversely affect its business and financial condition. Any departure of key personnel could also be viewed in a negative light by investors and analysts, which could adversely impact the Share price.

Additionally, the market for key personnel in the industry in which LXRandCo competes is highly competitive. As a result, LXRandCo may not be able to attract and retain key personnel with the skills and expertise necessary to manage its business and pursue its growth strategy.

Going concern

Pursuant to the Private Placement, management believes the Company has the requisite resources to execute its strategic plan over the forseeable future and its financial statements have been prepared in accordance with the principles of a going concern. In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, management must estimate future cash flows for a period of at least twelve months following the end of the reporting period by considering relevant available information about the future. These cash flow estimates are dependent on the Company's successful realization of the initiatives in its strategic plan, including its sales forecasts and monitoring of operational costs. These cash flows are subject to uncertainty. Management believes that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern for at least the next twelve months, but there can be no assurances that the Company will successfully able to do so.

The Company's ability to continue as a going concern is contingent upon the Company successfully carrying out the various components of its strategic plan and/or its ability to obtain additional sources of capital to finance operations in the future. To the extent additional capital is required, there is no assurance that additional capital will be available on acceptable terms, if at all. Similarly, the Company's revenue from sales is not currently sufficient to fund its operations. LXRandCo's inability to carry out its strategic plan or obtain sufficient additional capital may have a material adverse effect on the business, results of operations and/or financial condition. If additional financing is raised through the issuance of equity or convertible debt securities, the interests of the Company's shareholders may be diluted.

LXRandCo's plan to expand its omni-channel network may not be successful.

There is no guarantee that LXRandCo's plan to expand its omni-channel sales network will be successful. Notwithstanding management's estimate of LXRandCo's current store expansion potential, in order to expand LXRandCo's retail network in 2019, management would have to secure new retail partnerships and expand existing partnerships and execute the launch of new store openings in a timely and cost effective manner. In order to continue to grow its e-commerce business, management would need to effectively implement search engine optimization strategies and customer retention and marketing initiatives. The failure of the Issuer to successfully execute its expansion strategy could adversely affect LXRandCo's business, financial condition and results of operations.

There can be no assurance that LXRandCo will successfully manage and grow its e-commerce business, as planned, and any failure to do so could have a negative impact on results from operations.

The usability of and customer experience provided by LXRandCo's online shopping platform is important to the success and growth of its e-commerce business and to LXRandCo's ability to provide products through an omni-channel sales network. LXRandCo primarily competes with e-commerce retailers of pre-owned branded luxury products, which are mostly based in North America. Many of LXRandCo's competitors already have established e-commerce businesses that are substantially larger and more developed than LXRandCo's. In addition, e-commerce is a rapidly evolving channel and many of LXRandCo's competitors update their e-commerce business on an ongoing basis to match consumer preferences, including servicing them through mobile platforms. Any extended software disruption of LXRandCo's e-commerce business or the failure of LXRandCo to provide an attractive, effective, reliable and user-friendly e-commerce business that offers a wide assortment of merchandise with rapid delivery options and that continually meets the changing expectations of online customers could place LXRandCo at a competitive disadvantage, result in the loss of sales or harm its reputation with customers, and could have a material adverse effect on its business and results of operations.

The growth of LXRandCo's e-commerce business is also dependent on its ability to successfully offer international shipping of its merchandise and successfully manage the costs, difficulties and competitive pressures associated with international shipping. Although LXRandCo believes that there are synergies in operating an omni-channel sales network, other risks specific to LXRandCo's e-commerce business include diversion of sales from LXRandCo's retail network, acquiring online customers in a cost-efficient manner, difficulty in recreating the in-store experience through direct channels and liability for online content. If LXRandCo is unable to expand or update its e-commerce business commensurately with that of its competitors, introduce and manage international shipping and successfully respond to the risks inherent to e-commerce, LXRandCo's financial results and the growth of its e-Commerce business may be negatively affected.

There are risks related to forward-looking information in this Annual Information Form including the financial outlook for 2019.

The forward-looking information included in this Annual Information Form relating to, among other things, LXRandCo's future results, performance, achievements, prospects, intentions, opportunities or the markets in which LXRandCo operates, is based on opinions, assumptions and estimates made by management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that it believes are appropriate and reasonable in the circumstances. See "Management's Discussion and Analysis of LXRandCo – Financial Outlook". However, there can be no assurance that such estimates and assumptions will prove to be correct. Actual results in the future may vary significantly from the historical and estimated results and those variations may be material. LXRandCo makes no representation that its actual results in the future will be the same, in whole or in part, as those included in this Annual Information Form. See "Caution Regarding Forward-Looking Statements".

LXRandCo may be unable to continue to grow revenue or meet other financial targets, which could cause the price of Shares to decline.

LXRandCo's success depends, in large part, upon its ability to achieve revenue and other financial targets for its retail network, wholesale operations and e-commerce activities. Various factors affect sales levels, including competition, consumer trends and preferences, the general economic and retail environment, LXRandCo's ability to efficiently source and distribute products, brand innovation and changes in its merchandising mix, the timing of release of new merchandise and promotional events, the success of marketing programs, prior period sales levels, inventory shrinkage, the timing and amount of markdowns, weather conditions and store closures or other adverse changes with respect to its retail partners or the location of LXRandCo stores within its retail partner department stores. These factors may cause its sales results to differ materially from prior periods and from expectations. Past sales and other financial results are no indication of future results, and there can be no assurances that LXRandCo's sales levels will not decrease in the future. LXRandCo has made and intends to continue to make significant capital investments to maintain a high level of store productivity by focusing on brand and product innovation and optimizing store layout, merchandise and product offerings and presentation. Failure to continue to maintain a high level of store productivity or failure to meet other financial targets or expectations could adversely affect LXRandCo's revenue and the price of Shares could decline.

LXRandCo's ability to manage its operations at its current size and successfully execute on its growth strategies is subject to numerous risks and uncertainties, and any failure to do so could have a negative impact on the price of the Shares.

The success of LXRandCo's growth strategies is dependent on, among other things, its ability to expand its retail network, grow its e-commerce business, diversify its sourcing channels, leverage its competitive advantages and increase its brand awareness internationally, as well as factors which are beyond LXRandCo's control, including general economic conditions and consumer confidence in future economic conditions. If LXRandCo fails to execute any one or more of these initiatives or fails to fully realize the benefits expected to result from these initiatives, LXRandCo's results of operations and its ability to remain competitive could be materially adversely impacted, and the price of Shares could decline. LXRandCo's results to date are not an indication of future results, and there can be no assurance that these initiatives will generate increased revenue or improve operating margins even if LXRandCo is to successfully implement its growth strategies.

While LXRandCo has grown substantially since 2010, LXRandCo expects its growth to bring new challenges and complexities that LXRandCo has not faced before. Among other difficulties that LXRandCo may encounter, future growth may place a strain on its existing infrastructure, including distribution facilities, information technology systems, financial controls, real estate requirements, sourcing channels and employee base and may make it more difficult for LXRandCo to adequately forecast expenditures. LXRandCo's budgeting may become more complex, and LXRandCo may also place increased burdens on its suppliers, as LXRandCo will likely increase the size of its product orders. The increased demands that LXRandCo's growth plans will place on its infrastructure and its management team may cause LXRandCo to operate its business less efficiently, which could cause deterioration in its performance. Product delivery times could lengthen as a result of the strains that growth may place on its existing resources and LXRandCo's growth may make it difficult for LXRandCo to respond quickly to changing trends, consumer preferences and other factors. This could result in excess or deficient inventory, greater markdowns and decreased revenue. LXRandCo cannot anticipate all of the demands that its expanding operations may impose on its business, and its failure to appropriately address these demands could have an adverse effect on LXRandCo.

In addition, LXRandCo believes that an important contributor to its success has been its corporate culture, which it believes fosters innovation, teamwork, passion for the LXRandCo brand and the products and brands it sells and personalized customer service. As LXRandCo continues to grow, LXRandCo must effectively integrate, develop and motivate an increasing number of new employees, across several geographic locations. As a result, LXRandCo may find it difficult to maintain its corporate culture, which could limit its ability to innovate and operate effectively. Any failure to preserve its culture could also negatively affect LXRandCo's ability to retain and recruit personnel, continue to perform at current levels or execute on its growth strategies.

LXRandCo has no record of profit.

The Company has incurred significant losses from operations to date, and there can be no assurance that its future business activities will be profitable. The Company has experienced negative operational cash flow to date. We incurred losses from operations of $52.7 million for the year ended December 31, 2017, and $23.0 million for the year ended December 31, 2018. LXRandCo's ability to operate profitably and generate positive cash flow in the future will be affected by a variety of factors, including its ability to carry out the various components of its strategic plan.

LXRandCo is subject to risks associated with licensing agreements relating to the renting of retail space from retail partners. Any failure to make these license payments when due, or the inability to extend, renew or continue to rent space in key locations from retail partners, would likely harm LXRandCo's business, profitability and results of operations.

For its stores, LXRandCo enters into licensing agreements with department store partners for leased space within their store. Such agreements include a variable rent component (a license fee) set as a fixed percentage of store revenue, an agreement on the size of the space to be occupied within the store and contract duration (which is typically three years with automatic renewal options on mutually acceptable terms). Accordingly, LXRandCo is subject to several of the risks associated with licensing agreements relating to the renting of retail space from retail partners, including adverse demographic and competitive changes affecting the location of the partner's store, changes in the location of the LXRandCo space within the store, and changes in availability of and contractual terms for retail space, including the fixed percentage of the variable rent arrangement. In addition, there can be no assurance that LXRandCo will be able to extend, renew or continue to licensing arrangements with its existing retail partners, or identify and secure alternative suitable locations within partner stores.

The success of any store depends substantially upon its location, and specific to LXRandCo, the placement and location of the store-within-store in its retail partner's location. There can be no assurance that LXRandCo's current retail partner locations will continue to be desirable in the future, that LXRandCo's placement within the stores will be desirable or that LXRandCo will be able to secure new desirable locations from existing or new retail partners in the future on favourable terms or at all. LXRandCo's store locations, customer conversion and sales may be adversely affected by, among other things, social and economic conditions in a particular area, competition from nearby retailers selling similar merchandise, changes in co-tenants that negatively impact the desirability of LXRandCo's store locations, the placement or relocation of LXRandCo's store-within-store in the retail partner location, changing lifestyle choices of consumers in a particular market and the closing or decline in popularity of other businesses located near LXRandCo retail partner store locations or near the LXRandCo store-within-store space inside the retail partner location. Changes in areas around LXRandCo's retail partner store locations or around the store within-store placement within the store that result in reductions in customer foot traffic or otherwise render the locations unfavourable could cause LXRandCo's revenue to be less than expected. If LXRandCo cannot obtain desirable locations at reasonable costs, LXRandCo's cost structure will increase and LXRandCo's revenue will be adversely affected.

LXRandCo will require capital to fund its expanding business, which may not be available to LXRandCo on satisfactory terms or at all. While LXRandCo plans to use cash on hand, cash from operations and capital available under its Credit Facilities to fund its operations and execute its growth strategies, if these amounts are insufficient, LXRandCo may not meet its growth expectations or LXRandCo may require additional financing which could adversely affect its financial health, impose covenants that limit its business activities and cause dilution to the Company's shareholders.

LXRandCo's growth strategy includes, among other initiatives, expanding its retail network and e-commerce business, investing in its brand, hiring additional talent, and upgrading its information technology systems and other infrastructure. LXRandCo's growth plans are not guaranteed to be successful and the implementation of these plans may not result in expected increases to LXRandCo's net revenue. To support its expanding business and execute on its growth strategies, LXRandCo will require capital.

LXRandCo primarily depends on cash, capital available under its Credit Facilities and the proceeds from the Offering to fund its business and growth plans. If LXRandCo's business does not generate sufficient cash flow from operations to fund its activities, and sufficient funds are not otherwise available to LXRandCo, including from its Credit Facilities, or otherwise, LXRandCo may need additional equity or debt financing. If such financing is not available to LXRandCo, or is not available on satisfactory terms, LXRandCo's ability to operate and expand its business or respond to competitive pressures would be curtailed, LXRandCo may need to delay, limit or eliminate expansion plans, operations or other elements of its growth strategies, and LXRandCo may not be able to take advantage of business opportunities. Further, even if LXRandCo is able to expand operations, there can be no assurance that it will generate significant revenues or achieve profitability or generate sufficient cash flow from operations to fund future growth strategies.

LXRandCo's existing Credit Facilities mature on June 14, 2020. If LXRandCo does not arrange to replace the existing Credit Facilities before that time with new credit facilities, LXRandCo may need additional equity or debt financing. If such financing is not available to LXRandCo, or is not available on satisfactory terms, LXRandCo's ability to operate and expand its business or respond to competitive pressures would be curtailed, and LXRandCo may need to delay, limit or eliminate expansion plans, operations or other elements of its growth strategies.

The issuance of any equity financing may have a dilutive effect on the interests of the Company's shareholders. The number of Shares that the Company is authorized to issue is unlimited. The Company may, in its sole discretion, subject to applicable laws and the rules of the TSX, issue additional Shares from time to time (including pursuant to any equity-based compensation plans), and the interests of its shareholders may be diluted as a result.

The terms of LXRandCo's Credit Facilities do, and any additional debt financing may, restrict LXRandCo's current and future operations, which could in turn adversely affect its ability to manage operations and respond to changes in its business.

LXRandCo is currently indebted under the Credit Facilities and LXRandCo may incur additional indebtedness under the Credit Facilities or otherwise in the future. LXRandCo is exposed to changes in interest rates on its cash and cash equivalents, bank indebtedness and long-term debt. Debt issued at variable rates exposes LXRandCo to cash flow interest rate risk. Debt issued at fixed rates exposes LXRandCo to fair value interest rate risk. LXRandCo's borrowings, current and future, will require interest payments and will need to be repaid or refinanced, which could require it to divert funds identified for other purposes to debt service and could create additional cash demands or impair its liquidity position and add financial risk. Diverting funds identified for other purposes for debt service may adversely affect LXRandCo's business and growth prospects. If LXRandCo cannot generate sufficient cash flow from operations to service its debt, LXRandCo may need to refinance its debt, dispose of assets, reduce or delay expenditures or issue equity to obtain necessary funds. LXRandCo does not know whether it would be able to take any of these actions on a timely basis, on terms satisfactory to it, or at all.

The Credit Agreement contains restrictive covenants which affect, among other things, the manner in which LXRandCo may structure or operate its business. A failure by LXRandCo to comply with its contractual obligations (including restrictive covenants), or to pay its indebtedness and fixed costs under its current or future financing arrangements could result in a variety of material adverse consequences, including the acceleration of indebtedness and the exercise of remedies by creditors. Such defaults could trigger additional defaults under other agreements. In such a situation, LXRandCo may not be able to repay the accelerated indebtedness, fulfill its obligations under certain contracts or otherwise cover its fixed costs, and its future financial condition would be materially adversely affected. In the event that any covenants are breached, there can be no assurance that LXRandCo will obtain waivers from its creditors. As of December 31, 2018 all financial covenants were met.

LXRandCo's degree of leverage could have a material adverse effect on its business and results of operations, including: limiting its ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; restricting its flexibility and discretion to operate its business; limiting its ability to declare dividends on its securities; having to dedicate a portion of its cash flows from operations to the payment of interest on existing indebtedness and not having such cash flows available for other purposes; exposing its business to debt capital market risks, including interest rate risk and refinancing risk at maturity; exposing it to increased interest expense on borrowings at variable rates; limiting its ability to adjust to changing market conditions; placing it at a competitive disadvantage compared to its competitors that have less debt; making it vulnerable in a downturn in general economic conditions; and making it unable to make expenditures that are important to its growth strategies.

Fluctuations in the value of the Canadian dollar in relation to the U.S. dollar, the Japanese Yen and other currencies may impact LXRandCo's operating and financial results and may affect the comparability of LXRandCo's results between financial periods.

LXRandCo is exposed to market risks attributable to fluctuations in foreign currency exchange rates, which are primarily changes in the value of the Canadian dollar versus the U.S. dollar, and Japanese Yen. Exchange rate fluctuations could have an adverse effect on its operating and financial results.

The majority of LXRandCo's revenues are derived in U.S. dollars while the majority of LXRandCo's cost of goods sold is denominated in Japanese Yen. In the future, LXRandCo expects to continue to derive a significant portion of its revenue in U.S. dollars and incur a significant portion of its cost of goods sold and operating costs in U.S. dollars and Japanese Yen. Consequently, changes in exchange rates between the Canadian dollar in relation to the U.S. dollar and the Japanese Yen may have a significant, and potentially adverse, effect on LXRandCo's results of operations.

LXRandCo has used foreign currency forward contracts in a very limited way to mitigate risks associated with forecasted Japanese Yen merchandise purchases sold in Canada and the United States. It may do so more proactively in the future, however there can be no assurances that such a strategy will prove to be successful.

Currency hedging entails a risk of illiquidity and, to the extent the applicable foreign currency depreciates or appreciates (depending on the direction of the underlying hedge) against the Canadian dollar, the use of hedges could result in losses greater than if the hedging had not been used. Further, hedging arrangements may have the effect of limiting or reducing the total returns to LXRandCo if management employs foreign currency forward contracts and its expectations regarding future events or market conditions prove to be incorrect. The costs associated with hedging strategies may outweigh their benefits.

LXRandCo's financial statements are presented in accordance with IFRS, and LXRandCo reports, and plans to continue to report, its financial results in Canadian dollars. Any change in the value of the U.S. dollar and/or the Japanese Yen against the Canadian dollar during a given financial reporting period could result in a foreign currency loss or gain on the translation of U.S. dollar denominated sales and costs and Japanese Yen denominated costs. Consequently, LXRandCo's reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses and may not be comparable from period to period.

General economic conditions in Canada, the United States and other parts of the world, including lower levels of consumer spending, can affect consumer confidence and consumer purchases of discretionary items, including pre-owned branded vintage luxury products.

Consumer purchases of discretionary retail items and specialty retail products, which include pre-owned branded vintage luxury goods and accessories, may be adversely affected by economic conditions, which may affect employment levels, salary and wage levels, the availability of consumer credit, inflation, currency rates, interest rates, tax rates, fuel prices and consumer confidence with respect to current and future economic conditions. Consumer purchases may decline during recessionary periods or at other times when unemployment is higher or disposable income is lower. These risks may be exacerbated for retailers such as LXRandCo, which focuses significantly on selling discretionary vintage luxury products. Consumer willingness to make discretionary purchases may decline, may stall or may be slow to increase due to national and regional economic conditions in Canada and the United States.

LXRandCo's financial performance is particularly susceptible to economic and other conditions in regions where LXRandCo has a significant number of stores. There remains considerable uncertainty and volatility in the Canadian and U.S. economies. Further or future slowdowns or disruptions in these economies could adversely affect mall and shopping destination traffic and new mall and retail development, which could materially and adversely affect LXRandCo and LXRandCo's growth plans. LXRandCo may not be able to maintain its recent rate of growth in net revenue if there is a decline in consumer spending. In addition, a deterioration of economic conditions and future recessionary periods may impact the other risks faced by LXRandCo's business, including certain risks that LXRandCo may encounter as LXRandCo attempts to execute its growth strategy.

The success of LXRandCo's business depends on its ability to optimize its merchandise offerings by anticipating and responding in a timely manner to changing consumer demands, tastes and fashion trends across multiple brands, product lines, sales channels and geographies. LXRandCo's inability to anticipate and respond to these changes could have a material adverse effect on its business, financial condition and results of operations.

LXRandCo's targets women of all ages. This demographic, is subject to shifting fashion and seasonal trends, as well as changing customer tastes and demands. Accordingly, LXRandCo's success is dependent on its ability to anticipate and forecast changes in fashion trends and consumer preferences and continuously manage and develop its collection of brands and products to respond to these changing consumer trends.

LXRandCo purchases products from third party suppliers and directly from consumers. There can be no assurance that LXRandCo will be able to continue to successfully carry out its demand-driven merchandise planning, and sourcing and inventory strategies to stock its stores with or make available online the appropriate assortment of merchandise. To the extent that LXRandCo's planning differs from its customers' purchasing preferences, LXRandCo may be faced with excess products or inventories for some merchandise and/or shortages or missed opportunities for others. Although LXRandCo has historically exercised a disciplined mark-down strategy, excess inventories could compromise LXRandCo's ability to continue to do so and could result in lower gross profit margins due to greater than anticipated discounts and markdowns that might be necessary to reduce inventory levels. Low inventory levels can adversely affect LXRandCo's ability to meet customer demand, which may lead to lost revenue and diminished brand loyalty. Any sustained failure to anticipate, identify and respond to emerging trends in consumer preferences could have a material adverse effect on LXRandCo's business, financial condition and results of operations.

LXRandCo's business depends on a strong brand image, both for the LXRandCo brand and the brands of the products it sells. If LXRandCo is not able to protect and enhance its brand or if the brand appeal of the products that it sells diminishes, LXRandCo's business will be negatively affected.

LXRandCo believes that its brand image and brand awareness has contributed to the success of its business and that maintaining and enhancing its brand image and increasing brand awareness in new markets where LXRandCo has limited brand recognition is important to maintaining and expanding its customer base. Maintaining and enhancing its brand image and increasing brand awareness may require LXRandCo to make investments in areas such as merchandising, store development, employee training, packaging, public relations and marketing, and may result in other costs associated with opening new stores and expanding its e-commerce business. These investments may be substantial and may not ultimately be successful.

LXRandCo sells pre-owned luxury products and the brand appeal of such products is an important consideration in the purchasing decisions of LXRandCo's customers. If the brand appeal of any such products diminishes, LXRandCo may not be able to sell such products in a timely manner or at previously anticipated prices which may negatively affect LXRandCo's results from operation, and through association, LXRandCo's own brand.

LXRandCo's brand image and reputation may be impacted by actions taken by its employees, the employees of its retail partners, the characteristics of its merchandise (including characteristics that may result in returns), marketing activities and negative commentary or reviews. Widespread use and access to social media campaigns and viral messaging or imagery could significantly broaden the scope and impact of any such negative events or circumstances. Because consumers value readily available information about retailers and their products, they may act on information conveyed through social media without further investigation and without regard to its accuracy. The harm to the LXRandCo brand may be immediate without affording LXRandCo an opportunity for redress or correction, and there can be no assurances that LXRandCo will respond in an appropriate or timely manner.

LXRandCo's brand image, reputation and financial performance may be negatively impacted by actions taken by its suppliers.

The actions and business practices of LXRandCo's suppliers may negatively impact the LXRandCo brand. LXRandCo primarily sources its merchandise from third party suppliers in Japan, and to a lesser extent, directly from consumers. While all third party suppliers provide product authenticity guarantees, and while LXRandCo employs a rigorous internal authentication process, any failure by LXRandCo or by LXRandCo's suppliers to maintain customer service levels, merchandise quality and integrity, labour practices generally accepted in North America, or ethical and socially responsible operations, could adversely affect LXRandCo's brand image, reputation and financial results.

LXRandCo has also occasionally received, and may in the future continue to receive, merchandise that fails to comply with LXRandCo's specifications or that fails to conform to LXRandCo's quality control standards or authenticity standards. Under these circumstances, unless LXRandCo is able to obtain replacement products in a timely manner, LXRandCo risks the loss of revenue resulting from the decision not to sell such merchandise and related increased administrative and shipping costs. Additionally, if the unacceptability of any merchandise is not discovered until after it is purchased or viewed by LXRandCo's customers or members of the public, LXRandCo's customers or members of the public could form unfavourable opinions of its merchandise, LXRandCo's merchandise could be returned, LXRandCo's results of operations could suffer and LXRandCo's reputation and brand could be harmed.

Trade restrictions in the regions LXRandCo operates could adversely impact LXRandCo's business, financing condition and results of operations.

Most of LXRandCo's vintage luxury products are currently sourced from Japan and sold in Canada and the United States. Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to LXRandCo or may require LXRandCo to modify its supply chain organization or other current business practices, any of which could harm LXRandCo's business, financial condition and results of operations. In addition, LXRandCo's products are sold internationally and any actions resulting in or leading to the imposition of new or additional quotas, duties, tariffs, or other restrictions or regulations, relating to the import of such goods could increase the cost or reduce the supply of products available to LXRandCo for sale in particular markets, which could harm LXRandCo's business, financial condition and results of operations.

LXRandCo operates in a competitive industry and the size and resources of some of its competitors may allow them to compete more effectively than LXRandCo, which could adversely impact LXRandCo's growth and market share.

LXRandCo competes primarily against e-commerce retailers of pre-owned branded vintage luxury products, some of which operate modest retail store networks, and to a very limited extent, LXRandCo competes with original manufacturers and retailers of new branded luxury handbags and accessories. LXRandCo competes on the basis of a combination of factors, including the location of stores, the breadth, style, quality, price and availability of merchandise, the level of customer service and brand recognition. With respect to retailers of pre-owned branded vintage luxury products, management believes that LXRandCo competes favourably against these companies based on its unique competitive advantages, which include: an integrated omni-channel sales network consisting of retail ”shop-in-shop” stores; wholesale operations and e-commerce capabilities; and a unique and diversified product sourcing strategy whereby LXRandCo takes physical ownership of its inventory. As a result, LXRandCo believes that it can successfully provide its targeted demographic with a curated offering of pre-owned luxury products and brands at an attractive value with greater accessibility to consumers, as compared to its competitors. With respect to original manufacturers and retailers of new branded luxury handbags and accessories, the pre-owned vintage luxury products offered by LXRandCo are typically priced significantly lower than that of comparable new products based on, among other things, the scarcity value and the condition rating of a given product. Also, LXRandCo sells its products through a retail network of store-within-stores located in major department stores that would otherwise not have access to the new luxury products and brands offered by LXRandCo.

Many of LXRandCo's competitors are, and many of its potential competitors may be larger, better capitalized and have greater brand recognition and access to greater financial, marketing and other resources. Therefore, these competitors may be able to devote greater resources to the marketing and sale of their products, generate greater brand recognition or adopt more aggressive pricing policies than LXRandCo can. As a result, LXRandCo may lose market share, which could reduce its revenue and adversely affect its results of operations.

LXRandCo does not possess exclusive rights to some elements that comprise its store-within-store business model and merchandise offerings. In addition, LXRandCo's merchandise is sourced from third parties on a non-exclusive basis. Competitors may seek to emulate facets of LXRandCo's business strategy, ”shop-in-shop” retail model or merchandise offerings, which could result in a reduction of any competitive advantage that LXRandCo might possess. As a result, LXRandCo's current and future competitors, especially those with greater financial, marketing or other resources, may be able to duplicate or improve upon some or all of the elements of the omni-channel sales network and sourcing strategy that LXRandCo believes are important in differentiating its product offering and its customers' shopping experience. If LXRandCo's competitors were to duplicate or improve upon some or all of the elements of their distribution network, sourcing or product offerings, LXRandCo's competitive position and business could suffer. LXRandCo cannot assure that it will continue to be able to compete successfully against existing or future competitors.

LXRandCo's limited operating experience and limited brand recognition may limit its efforts to expand its retail network outside North America, and subject LXRandCo to additional risks and cause its business and growth to suffer.

LXRandCo's growth depends primarily on its expansion efforts in North America. To the extent it reconsiders markets outside North America, LXRandCo has limited experience with regulatory environments and market practices outside of North America, and cannot guarantee that it will be able to penetrate or successfully operate in any market outside of North America in a manner consistent with its expectations. In connection with any future expansion efforts outside of North America, LXRandCo may encounter obstacles it does not face in North America, including cultural and linguistic differences, differences in regulatory environments and market practices, difficulties in keeping abreast of market, business and technical developments and foreign customers' tastes and preferences. LXRandCo may also encounter difficulty expanding into new markets because of limited brand recognition, which will require tailored brand building initiatives. Failure to develop new markets outside of North America through its retail network expansion or through e-commerce activities may negatively affect the LXRandCo's growth and results of operations.

A material disruption in or security breach affecting LXRandCo's information technology systems or e-commerce business could significantly affect its business and lead to reduced revenue, reduced growth prospects and reputational damage.

LXRandCo relies extensively on its computer systems to track inventory and customer data, manage its supply chain, record and process transactions, collect and summarize data and manage its business. While LXRandCo's systems are designed to operate without interruption and LXRandCo has not experienced any business interruptions to-date, LXRandCo may in the future experience interruptions to the availability of its computer systems from time to time. The failure of its computer systems to operate effectively, keep pace with growing capacity requirements, smoothly transition to upgraded or replacement systems or integrate with new systems could adversely affect LXRandCo's business. In addition, LXRandCo's computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyber-attacks, denial-of-service attacks, security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by LXRandCo's employees. If LXRandCo's computer systems are damaged or cease to function properly, LXRandCo may have to make a significant investment to fix or replace them, and it may suffer loss of critical data, compromise to the integrity or confidentiality of customer and employee information in its systems or networks, disruption to the systems or networks of third parties on which it relies, and interruptions or delays in its operations. A lack of relevant and reliable information that enables management to effectively manage its business could preclude LXRandCo from optimizing its overall performance. Any significant loss of data or failure to maintain reliable data could have a material adverse effect on its business and results of operations. A disruption to LXRandCo's e-commerce business could reduce its e-commerce revenue, increase costs, diminish growth prospects, expose it to litigation, decrease customer confidence and damage its brand. A material interruption to any of LXRandCo's computer systems could adversely affect its business or results of operations and reputation.

Experienced computer programmers and hackers, or even internal users, may be able to penetrate or create systems disruptions or cause shutdowns to LXRandCo's network security or that of third party companies with which LXRandCo has contracted to provide services. LXRandCo generally collects and stores customer information for marketing purposes and any compromise of customer information could subject it to customer or government litigation and harm its reputation, which could in turn adversely affect its business and growth. Moreover, LXRandCo could incur significant expenses or disruptions to its operations in connection with system failures or data breaches. An increasing number of websites, including several large internet companies, have recently disclosed breaches of their security, some of which have involved sophisticated and highly targeted attacks on portions of their sites. Because the techniques used to obtain unauthorized access, disable or degrade services or sabotage systems change frequently and often are not recognized until launched against a target, LXRandCo may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, sophisticated hardware and operating system software and applications that LXRandCo buys or licenses from third parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the security and operation of the systems. The costs to LXRandCo to eliminate or alleviate security problems, viruses and bugs could be significant, and efforts to address these problems could result in interruptions, delays or cessation of services that may impede LXRandCo’s sales, distribution or other critical functions.

In addition, many jurisdictions in which LXRandCo operates have adopted breach of privacy and data security laws or regulations that require notification to consumers if the security of their personal information is breached, among other requirements. Governmental focus on data security may lead to additional legislative action, and the increased emphasis on information security may lead customers to request that LXRandCo take additional measures to enhance security or restrict the manner in which LXRandCo collects and uses customer information to gather insights into customer behaviour and develop its marketing programs. As a result, LXRandCo may have to modify its business systems and practices with the goal of further improving data security, which could result in increased expenditures and operating complexity. Any compromise of its security or accidental loss or theft of customer data in LXRandCo’s possession could result in a violation of applicable privacy and other laws, significant legal and financial exposure and damage to LXRandCo’s reputation, which could in turn adversely impact its business and results of operations.

If LXRandCo is unable to attract, motivate and retain quality sales staff, LXRandCo may not be able to maintain a consistently high level of customer service and grow or sustain its operations, and as a result, LXRandCo’s brand, business and financial results may be negatively affected.

LXRandCo’s business is dependent on its ability to attract, motivate and retain a sufficient number of store employees, including store managers and sales associates, who understand and appreciate LXRandCo’s customers, brand and culture, are able to adequately and effectively represent LXRandCo’s culture and who can establish trust and credibility with LXRandCo’s customers. Many of these employees are in entry level positions that require training. There is also a high level of competition for experienced, qualified personnel in the retail industry and LXRandCo competes for personnel with a variety of companies looking to hire for retail positions. LXRandCo’s growth plans may strain its ability to staff its new stores, particularly at the store manager level, which could have an adverse effect on LXRandCo’s ability to maintain a cohesive and consistently strong team, which in turn could have an adverse impact on its business. If LXRandCo is unable to attract, train and retain store personnel capable of consistently providing exceptional customer service, as demonstrated by their enthusiasm for LXRandCo’s culture and brand, understanding of LXRandCo’s customers and knowledge of the merchandise LXRandCo offers, its ability to open new stores may be impaired, the performance of existing and new stores could be materially adversely affected and LXRandCo’s brand image and ability to continue to implement its growth strategies may be negatively impacted.

Union attempts to organize LXRandCo employees could negatively affect its business.

None of LXRandCo’s employees are currently subject to a collective bargaining agreement. As LXRandCo continues to grow and enter different regions, unions may attempt to organize all or part of its employee base. Responding to such organization attempts may distract management and employees and may have a negative financial impact on individual stores or on LXRandCo’s business as a whole. The maintenance of a productive and efficient labour environment and, in the event of unionization of LXRandCo’s employees, the successful negotiation of a collective bargaining agreement, cannot be assured. Protracted and extensive work stoppages or labour disruptions such as strikes or lockouts could have a material adverse effect on LXRandCo’s business, financial condition and results of operations.

LXRandCo is dependent on leasing space in one warehouse facility in the United States which is operated by a third party warehouse services provider, as well as LXRandCo's multi-purpose Montréal and Tokyo offices which also serve as distribution centers. If the warehouse space or distribution centers become inoperable, capacity is exceeded or if operations are disrupted, LXRandCo's business, financial condition and operating results could be negatively affected.

LXRandCo depends on the orderly operation of its receiving and distribution process, adherence to shipping schedules, effective management of distribution centres and sufficiently planned capacity. Although LXRandCo believes that its receiving and distribution processes are efficient, and it has appropriate contingency plans, unforeseen disruptions in operations due to fire, severe weather conditions, natural disasters, or other catastrophic events, electronic or power interruptions, failure of software and hardware or other system failures, labour disagreements or other shipping problems may result in delays in the delivery of merchandise to its stores and e-commerce customers. Additionally, although LXRandCo believes that the capacity of its leased warehouse space and distribution centers meets it current needs, LXRandCo expects it will need to expand its receiving and distribution capacity in the future. Planning for expansion of its distribution capacity to meet future needs is currently underway. Any failure to expand its distribution capacity in a timely manner to keep pace with its growth could have an adverse effect on LXRandCo's business.

Although LXRandCo maintains property insurance, commercial general liability insurance, electronic data processing equipment breakdown insurance and Canada-wide business interruption insurance, it cannot provide any assurance that its insurance coverage will adequately protect it from the adverse effects that could result due to significant disruptions to LXRandCo's distribution system, such as the long-term loss of customers or an erosion of its brand, or that insurance proceeds will be paid to it in a timely manner. In addition, LXRandCo's distribution capacity is dependent on the timely performance of services by third parties, including the shipping of products to and from a warehouse facility and distribution centers as well as to and from retail stores. If LXRandCo encounters problems with its distribution system, its ability to meet customer expectations, manage inventory, complete sales and achieve objectives for operating efficiencies could be harmed.

LXRandCo relies upon independent third party transportation providers for substantially all of its merchandise shipments.

LXRandCo currently relies upon independent third party transportation providers for substantially all of its merchandise shipments, including shipments to its distribution facility and centres, all of its stores and its e-commerce customers. LXRandCo's use of outside delivery services for shipments is subject to risks, including increases in fuel prices, which would increase its shipping costs (freight and delivery), labour disruptions, inclement weather and shipment delays. If LXRandCo changes transportation providers, it could face logistical difficulties that could adversely impact deliveries and LXRandCo may incur costs and expend resources in connection with such change. Moreover, LXRandCo may not be able to obtain terms as favorable as those received from the independent third party transportation providers it currently uses, which may also result in increased costs.

Failure of LXRandCo's third party transportation providers to deliver its merchandise in a timely manner may negatively impact LXRandCo's ability to optimize merchandise offerings, customer service levels, brand reputation and profitability.

LXRandCo's net revenue and inventory purchases may fluctuate on a seasonal basis, which could adversely affect LXRandCo's business and financial condition.

In 2018, LXRandCo's business did not demonstrate significant seasonality, with only a slightly higher proportion of net revenue generated during the second half of the year. While LXRandCo's business has not demonstrated significant seasonality to date, seasonal or cyclical variations in LXRandCo's business may become more pronounced over time as LXRandCo's retail network expands. Most store openings occur in the spring and fall seasons which could lead to more pronounced variations in LXRandCo's results during years with significant new store additions. Also, with new store launches typically occurring in the spring and fall seasons, LXRandCo will likely experience higher working capital requirements during these periods to accommodate the purchasing of new inventory and to fund new store fixtures and other related launch costs. This seasonality in cash flows and expenses may impact the comparability of LXRandCo's results of operations and could adversely affect its business and financial condition. Seasonal or cyclical variations in LXRandCo's business may become more pronounced over time and may harm its results of operations in the future.

LXRandCo's quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including, among other things: the timing of new store openings; net revenue and profits contributed by new stores; changes in product mix; and the timing of new advertising and new brand or product introductions. As a result, LXRandCo believes that comparisons of its operating results between different quarters within a single fiscal year are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of future performance.

Any future seasonal or quarterly fluctuations in LXRandCo's results of operations may not match the expectations of market analysts and investors. Disappointing quarterly results could cause the price of Shares to decline. Seasonal or quarterly factors in LXRandCo's business and results of operations may also make it more difficult for market analysts and investors to assess the longer-term profitability and strength of its business at any particular point, which could lead to increased volatility in the price of Shares. Increased volatility could cause the price of Shares to suffer in comparison to less volatile investments.

A failure to reduce operating expenses in a timely manner in response to changes in LXRandCo's business could adversely affect its results of operations.

LXRandCo's business and results of operations are sensitive to a number of factors, both within and outside its control. In the event of a sustained reduction in revenue, for whatever reason, it may be necessary to implement an expense reduction plan. The successful implementation of an expense reduction plan, if and when deemed advisable by management, depends on many factors, including LXRandCo's ability to identify the need for such a plan in a timely manner, to effectively implement such plan, as well as certain factors which are beyond its control, including economic conditions, labour market conditions, ability to maintain its management team, and any one of these factors or other unforeseen factors could have a material adverse effect on LXRandCo's ability to implement any targeted cost savings to stabilize its results of operations.

LXRandCo is dependent upon its information technology systems. LXRandCo's inability to implement or enhance its systems could have an adverse impact on its financial results and operations.

The day-to-day operation of LXRandCo's business is highly dependent on information technology systems, including those of certain third-party suppliers. An inability to maintain or enhance its existing information technology systems or obtain and implement on a timely and cost efficient basis new systems to accommodate additional customer growth, including by way of implementing enterprise resource planning systems, could have an adverse impact on LXRandCo's ability to acquire new customers and retain existing customers, generate revenue growth and manage operating expenses, all of which may have a material adverse effect on LXRandCo's business, prospects, results of operations and financial condition.

LXRandCo will incur increased expenses as a result of being a public company and its current resources may not be sufficient to fulfill its public company obligations.

LXRandCo will incur significant legal, accounting, insurance and other expenses as a result of being a public company, which may negatively impact its performance and could cause its results of operations and financial condition to suffer. Compliance with applicable securities laws in Canada and the rules of the TSX will likely substantially increase LXRandCo's expenses, including its legal and accounting costs, and make some activities more time-consuming and costly. The reporting obligations as a public company may place a strain on its financial and management systems, processes and controls, as well as on its personnel.

LXRandCo also expects these laws, rules and regulations to make it more expensive for it to obtain director and officer liability insurance, and LXRandCo may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for LXRandCo to attract and retain qualified persons to serve on LXRandCo's board of directors or as officers. As a result of the foregoing, LXRandCo expects a substantial increase in legal, accounting, insurance and certain other expenses in the future, which will negatively impact its financial performance and could cause its results of operations and financial condition to suffer.

LXRandCo is responsible for establishing and maintaining adequate internal control over financial reporting, which is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because LXRandCo is a new public company, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A failure to prevent or detect errors or misstatements may result in a decline in the price of Shares and harm its ability to raise capital in the future.

If management is unable to certify the effectiveness of LXRandCo's internal controls or if material weaknesses in its internal controls continue to be identified, LXRandCo could be subject to regulatory scrutiny and a loss of public confidence, which could harm its business and cause a decline in the price of Shares. In addition, if LXRandCo does not maintain adequate financial and management personnel, processes and controls, it may not be able to accurately report its financial performance on a timely basis, which could cause a decline in the price of Shares and harm its ability to raise capital. Failure to accurately report LXRandCo's financial performance on a timely basis could also jeopardize its listing on the TSX or any other stock exchanges on which Shares may be listed. Delisting of the Shares on any exchange would reduce the liquidity of the market for Shares, which would reduce the price of, and increase the volatility of the price of, Shares.

LXRandCo does not expect that its disclosure controls and procedures and its internal controls over financial reporting will prevent all error or fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, and not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If LXRandCo cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely effected, which could also cause investors to lose confidence in its reported financial information, and which in turn could result in a reduction in the trading price of Shares.

LXRandCo's equity compensation plans may adversely impact its financial results.

LXRandCo adopted new long-term incentive plans that include stock options, performance share units, restricted share units and deferred share units, which may also be settled in cash. Under applicable accounting standards, LXRandCo could be required to record a liability and a related expense in its financial statements for potential future cash settlement of equity compensation awards. The recording of this liability could have an adverse impact on and create volatility in its financial results and, in turn, could adversely impact the trading price of Shares.

LXRandCo identified material weaknesses in its financial controls which may indicate that there is a possibility that a material misstatement of its annual or interim financial statements would not be prevented or detected on a timely basis.

In connection with the preparation of its consolidated financial statements for the year ended December 31, 2018 and for the year ended December 31, 2017, management identified material weaknesses in their internal controls over financial reporting. A material weakness of an issuer is defined as a deficiency or a combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of its annual or interim financial statements would not be prevented or detected on a timely basis.

The material weakness pertained to the design and operation of its internal controls which includes lack of integration of the Company's information technology systems, lack of access restrictions, lack of segregation of duties, limitation capabilities of the Company's accounting software and consolidation process that involves manual processes and difficulties to retain sufficient internal accounting personnel to prepare and oversee financial statements reporting in accordance with IFRS.

Since identifying the weakness, the Company has begun to remedy their respective material weaknesses through the continued development and implementation of formal policies, improved processes and documented procedures, as well as the continued sourcing of additional qualified finance resources. The decline in revenues and the delay in obtaining sufficient external financing have had negative impacts on the timely resolution of these material weaknesses.

Although LXRandCo is working on remedying the weakness as quickly as possible, it cannot at this time estimate how long it will take, and the initiatives may not prove to be successful in remedying the material weakness. If the remedial measures are insufficient to address these material weaknesses or if further significant deficiencies or material weaknesses in internal control over financial reporting are discovered or occur in the future, management's ability to evaluate the financial reporting may be adversely affected. This would affect certifications, when required, regarding the effectiveness of our internal controls over financial reporting required by National Instrument 52-109 – *Certification of Disclosure* in our annual and interim filings. In addition, if the Company is not able to successfully remedy the material weakness, and if as a result LXRandCo is unable to produce accurate and timely financial statements or is required to restate its financial results, LXRandCo's stock price may be adversely affected.

LXRandCo may be unable to protect its trademarks or other intellectual property rights, and may be subject to claims that LXRandCo, or its suppliers, have infringed upon the trademarks or other intellectual property rights of third parties.

LXRandCo believes that its trademarks are integral to its retail network and e-commerce business and important to the success in building its brand image and customer loyalty. LXRandCo relies on trademark registrations and common law trademark and copyright rights to protect the distinctiveness of its brand and has registered those trademarks that LXRandCo believes are important to its business in Canada and the United States. These trademarks include "*LXRandCo*" and the related logo which are the subject of pending applications in Canada and there can be no assurance that registrations will ultimately be issued to LXRandCo. Also, LXRandCo has not sought to register its trademarks in other foreign countries but may seek to do so in the future. However, international protection of LXRandCo's brand image and the use of these marks may be unavailable or could be limited. In some cases, there may be trademark owners who have prior rights to LXRandCo marks because the laws of certain foreign countries may not protect intellectual property rights to the same extent as do the laws of Canada or the United States. In other cases, there may be holders who have prior rights to similar marks. LXRandCo is not aware of any infringement upon or challenges to its right to use any of its brand names or trademarks in Canada and the United States. Nevertheless, LXRandCo cannot assure that its registrations will prevent imitation of its name, or exclusive brands, or the infringement of its other intellectual property rights by others within North America or elsewhere. Imitation of the LXRandCo brand in a manner that projects lesser quality or carries a negative connotation of brand image could have an adverse effect on LXRandCo's business, financial condition and results of operations. Similarly, use of or negative publicity or events associated with LXRandCo's brand or trademarks in jurisdictions where its intellectual property rights are not protected may negatively affect its image and reputation in North America or elsewhere. If LXRandCo fails to enforce or maintain any of its intellectual property rights, it may be unable to capitalize on its efforts to maintain and, in new markets, increase brand equity.

Litigation may be necessary to protect and enforce LXRandCo's trademarks and other intellectual property rights, or to defend against claims brought by third parties. Although LXRandCo is not aware of any current claims, its marketing materials may, or in the future may, be claimed to violate intellectual property rights of third parties. LXRandCo also purchases certain finished merchandise that may be subject to design copyrights, design patents or otherwise may incorporate protected intellectual property and LXRandCo does not independently investigate whether its suppliers legally hold the intellectual property rights to the merchandise it sells to LXRandCo.

Although LXRandCo cannot currently estimate the likely outcome of any intellectual property-related claims or lawsuits, any such litigation or claims brought by or against it could result in substantial costs and diversion of resources, which could have an adverse effect on LXRandCo's business, financial condition and results of operations. If disputes arise in the future, LXRandCo may not be able to successfully resolve these types of conflicts to its satisfaction.

LXRandCo is subject to numerous laws and regulations that could adversely affect its business.

LXRandCo is subject to numerous laws and regulations, including labour and employment, consumer protection, human rights, advertising, privacy, environmental, customs, taxes and other laws that regulate retailers generally or govern the importation, labeling, promotion, distribution and sale of merchandise and the operation of stores and other facilities in each of the jurisdictions in which LXRandCo's merchandise is distributed and sold. Although LXRandCo has implemented procedures designed to ensure compliance with applicable laws and regulations, if management, employees, suppliers, manufacturers or others fail to comply with any of these laws or regulations for any reason, LXRandCo could become subject to enforcement actions or the imposition of significant penalties or claims, or suffer reputational harm, any of which could adversely affect its business. Additionally, although LXRandCo undertakes to monitor applicable laws, it is possible that changes may be implemented or new laws or regulations may be introduced without its knowledge, creating a greater risk of non-compliance. The adoption of new laws or regulations or requirements for public companies or changes in the interpretation of existing laws or regulations may result in increased compliance costs and could make the ordinary conduct of LXRandCo's business more expensive or require it to change the way it does business. It is often difficult for LXRandCo to plan and prepare for potential changes to applicable laws, and future actions or expenses related to any such changes could be material.

Risks related to LXRandCo's restatement of previously filed financial statements and regulatory investigations or litigation relating to such matters.

As discussed in greater detail under "Development of the Business – Our History – 2018", on November 14, 2018, the Company filed its amended and restated consolidated financial statements for the years ended December 31, 2017 and 2016 and corresponding management discussion and analysis for the years ended December 2017 and 2016, as well as its amended and restated interim condensed and consolidated financial statements for the three- and six-month periods ended June 30, 2018 and 2017.

As a result of the restatement described above, the Company may become subject to the following significant risks, each of which could have a material adverse effect on the Company's business, financial condition and results of operations:

- The Company may become subject to investigations or inquiries by applicable securities regulators. The period of time necessary to resolve such investigations or inquiries, if any, or to adequately respond to requests for information is uncertain, and these matters could require significant additional attention and resources that could otherwise be devoted to the operation of the Company's business. At this time, the Company cannot predict what, if any, regulatory or other action may result. If applicable securities regulators determine that a violation of securities laws has occurred, the Company or its officers and directors could be subject to civil or criminal penalties or other remedies.

- There can be no assurance that other regulatory agencies in Canada will not make inquiries about, or commence investigations into, matters relating to the events and practices described above.

- The Company's insurance coverage may not cover its total liabilities in connection with any litigation relating to the events and practices described above. In addition, the Company has indemnity obligations (including for legal expenses) for former and current directors, officers and employees. If the coverage under the Company's insurance policies is not available for all of these matters, the Company may have to self-fund the indemnification amounts owed to such directors and officers.

- The Company may also be subject to claims from Shareholders or lenders. Any such claims, if they are determined by a court or arbitrator to be well founded, may materially affect the Company's operating results.

There are claims made against LXRandCo from time to time that could result in litigation and that could distract management from its business activities, resulting in significant liability or damage to the LXRandCo brand.

As a rapidly growing company with expanding operations, LXRandCo increasingly faces the risk of litigation and other claims against it. Litigation and other claims may arise in the ordinary course of business and include employee and customer claims, commercial disputes, retail partner/landlord-tenant disputes, intellectual property issues, product-oriented allegations and personal injury claims. These claims can raise complex factual and legal issues that are subject to risks and uncertainties and could require a significant time investment from management. Litigation and other claims against LXRandCo could result in unexpected expenses and liabilities, which could materially adversely affect its operations and reputation.

Although LXRandCo maintains commercial general liability insurance to mitigate potential claims, LXRandCo cannot be certain that its coverage will be adequate for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms or at all.

LXRandCo may be subject to additional taxes, which could affect its operating results.

LXRandCo may be subject to assessments for additional taxes, including sales taxes, which could reduce its operating results. In accordance with current law, LXRandCo pays, collects and/or remits taxes in those jurisdictions where LXRandCo maintains a physical presence. In computing its tax obligations in these jurisdictions, LXRandCo is required to take various tax accounting and reporting positions on matters that are not entirely free from doubt and for which LXRandCo has not received rulings from the applicable governing authorities.

While LXRandCo believes that it has appropriately accounted for all taxes based on its interpretation of applicable laws, it is possible that some taxing jurisdictions may attempt to assess additional taxes and penalties on LXRandCo if the applicable authorities do not agree with LXRandCo's positions. A successful challenge by a tax authority, through asserting either an error in LXRandCo's calculation or a change in the application of law or an interpretation of the law that differs from LXRandCo's own, could adversely affect the results of operations.

Some of LXRandCo's directors and executive officers are resident outside of Canada and as such may render it difficult to effect service of process upon such directors, officers and experts within Canada.

Some of the Company's directors and executive officers named herein are resident outside of Canada, and a majority of their assets may be located outside of Canada. As a result, it may be difficult for investors to effect service of process within Canada upon those directors or executive officers who are not residents of Canada, or to realize in foreign jurisdictions upon judgments obtained in Canada.

LXRandCo is subject to insurance-related risks.

LXRandCo maintains director and officer insurance, liability insurance, marine cargo insurance, workers compensation insurance, business interruption insurance, personal injury insurance, accounts receivable insurance and property insurance. LXRandCo's insurance coverage includes deductibles, premiums, self-insured retentions, limits of liability and similar provisions. However, there is no guarantee that LXRandCo's insurance coverage will be sufficient, or that insurance proceeds will be paid in a timely manner to LXRandCo. In addition, there are types of losses LXRandCo may incur but against which LXRandCo cannot be insured or which it believes are not economically reasonable to insure, such as losses due to acts of war or certain natural disasters. If LXRandCo incurs these losses and they are material, LXRandCo's business, operating results and financial condition may be adversely affected. Also, certain material events may result in sizable losses for the insurance industry and may materially adversely impact the availability of adequate insurance coverage or result in significant premium increases. Accordingly, LXRandCo may elect to self-insure, accept higher deductibles or reduce the amount of coverage in response to such market changes.

LXRandCo is subject to payment-related risks.

LXRandCo accepts payments using a variety of methods, including credit cards, debit cards and gift cards. For existing and future payment methods LXRandCo offers to its customers, LXRandCo may become subject to additional regulations and compliance requirements, as well as fraud. For certain payment methods, including credit and debit cards, LXRandCo pays interchange and other fees, which may increase over time, raising its operating costs and lowering profitability. LXRandCo relies on third party service providers for payment processing services, including the processing of credit and debit cards. LXRandCo's business may be negatively affected if these third party service providers become unwilling or unable to provide these services to it. LXRandCo is also subject to payment card association operating rules, including data security rules, certification requirements and rules governing electronic funds transfers. If LXRandCo fails to comply with these rules or requirements, or if its data security systems are breached or compromised, LXRandCo may be liable for card issuing banks' costs, subject to fines and higher transaction fees and/or lose its ability to accept credit and debit card payments from its customers, process electronic funds transfers or facilitate other types of payments. As a result, LXRandCo's business and operating results could be adversely affected.

Natural disasters, unusual weather and geo-political events or acts of terrorism could adversely affect LXRandCo's operations and financial results.

Extreme weather conditions in the areas in which LXRandCo's retail network is located could adversely affect its business. For example, frequent or unusually heavy snowfall, ice storms, rainstorms or other extreme weather conditions over a prolonged period could make it difficult for LXRandCo's customers to travel to its stores and thereby reduce LXRandCo's revenue and profitability.

In addition, natural disasters such as hurricanes, tornadoes and earthquakes, or a combination of these or other factors, could severely damage or destroy one or more of LXRandCo's retail partner department stores or LXRandCo's offices, thereby disrupting its business operations.

Furthermore, unstable political conditions or civil unrest, including terrorist activities, military and domestic disturbances and conflicts, may disrupt commerce, LXRandCo's supply chain operations, international trade or result in political or economic instability, which could have a material adverse effect on LXRandCo's business and results of operations.

Parties with whom LXRandCo does business with may be subject to insolvency risks or may otherwise become unable or unwilling to perform their obligations to LXRandCo.

LXRandCo is party to contracts, transactions and business relationships with various third parties, notably retail partners and suppliers. If any of these third parties were to become subject to bankruptcy, receivership or similar proceedings, LXRandCo's rights and benefits in relation to its contracts, transactions and business relationships with such third parties could be terminated, modified in a manner adverse to LXRandCo or otherwise impaired. LXRandCo cannot make any assurances that it would be able to arrange for alternate or replacement contracts, transactions or business relationships on terms as favorable as its existing contracts, transactions or business relationships, if at all. Any inability on LXRandCo's part to do so could have a material adverse effect on its business and results of operations.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect LXRandCo's reported financial results or financial condition.

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to LXRandCo's business, including but not limited to revenue recognition, impairment of goodwill and intangible assets, inventory, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation, or changes in underlying assumptions, estimates or judgments, could significantly change LXRandCo's reported financial performance or financial condition in accordance with generally accepted accounting principles.

Transfer pricing rules may adversely affect our corporate income tax expense

Most of the jurisdictions in which we conduct business have detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's length pricing principles. Contemporaneous documentation must exist to support this pricing. The tax authorities in these jurisdictions could challenge the arm's lengthiness of our related party transfer pricing policies and as a consequence the tax treatment of corresponding expenses and income. International transfer pricing is an area of taxation that depends heavily on the underlying facts and circumstances and generally involves a significant degree of judgement. If any of these tax authorities were successful in challenging our transfer pricing policies, we may be liable for additional corporate income tax, and penalties and interest related thereto, which may have a significant impact on our results of operations and future cash flow.

Risks Related to our Shares

The market price for Shares may be volatile and could decline in value.

The market price of Shares could be subject to significant fluctuations. Some of the factors that may cause the market price of Shares to fluctuate include:

- volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes or fluctuations in operating results or in the expectations of market analysts;

- adverse market reactions to any indebtedness LXRandCo may incur or securities LXRandCo may issue in the future;
- short sales, hedging and other derivative transactions in Shares;
- litigation or regulatory action against LXRandCo;
- investors' general perception of LXRandCo and the public's reaction to LXRandCo's press releases, LXRandCo's other public announcements and LXRandCo's filings with Canadian securities regulators, including its financial statements;
- publication of research reports or news stories about LXRandCo, its competitors or its industry;
- positive or negative recommendations or withdrawal of research coverage by securities analysts;
- changes in general political, economic, industry and market conditions and trends;
- sales of Shares by existing shareholders;
- recruitment or departure of key personnel;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving LXRandCo or its competitors; and
- the other risk factors described in this section of this Annual Information Form.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses to LXRandCo. As well, certain institutional investors may base their investment decisions on consideration of LXRandCo's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria, may result in limited or no investment in Shares by those institutions, which could materially adversely affect the trading price of Shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, LXRandCo's operations and the trading price of Shares may be materially adversely effected.

In addition, broad market and industry factors may harm the market price of Shares. Hence, the price of Shares could fluctuate based upon factors that have little or nothing to do with LXRandCo, and these fluctuations could materially reduce the price of Shares regardless of LXRandCo's operating performance. In the past, following a significant decline in the market price of a company's securities, there have been instances of securities class action litigation having been instituted against that company. If LXRandCo were involved in any similar litigation, LXRandCo could incur substantial costs, its management's attention and resources could be diverted and it could harm LXRandCo's business, operating results and financial condition.

Holders of Shares may be subject to dilution resulting from future offerings of Shares

LXRandCo may raise additional funds in the future by issuing Shares or securities convertible into, or exercisable or exchangeable for, Shares, including share purchase warrants to purchase Shares such as those currently outstanding. Holders of Shares will have no pre-emptive rights in connection with such further issues. The Board of Directors has the discretion to determine if an issuance of Shares or securities convertible into, or exercisable or exchangeable for, Shares is warranted, the price at which such issuance is effected and the other terms of issue of such securities. In addition, additional Shares may be issued by LXRandCo in connection with the exercise of options or other convertible or exercisable securities. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of Shares.

There can be no assurance that an active market for the Shares will exist

There can be no assurance that an active market for the Shares will exist. Holders of Shares may be unable to sell their investments on satisfactory terms. As a result of any risk factor discussed herein, the market price of the Shares at any given point in time may not accurately reflect the long-term value of the Issuer. Furthermore, responding to these risk factors could result in substantial costs and divert management's attention and resources. Substantial and potentially permanent declines in the value of the Shares may result and adversely affect the liquidity of the market for the Shares.

Other factors unrelated to the performance of the Issuer that may have an effect on the price and liquidity of the Shares include: extent of analyst coverage; lessening in trading volume and general market interest in the Shares; the size of LXRandCo's public float; and any event resulting in a delisting of the Shares.

LXRandCo does not expect to pay any cash dividends for the foreseeable future.

LXRandCo currently expects to retain all available funds and future earnings, if any, for use in the operation and growth of its business and does not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of the board, subject to compliance with applicable laws and any contractual provisions, including under the credit agreement governing LXRandCo's Credit Facilities and other agreements for indebtedness. Any restrictions or limitations on LXRandCo's ability to pay dividends will depend upon, among other factors, LXRandCo's results of operations, financial condition, earnings, capital requirements and other factors that the Board deems relevant.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about LXRandCo or its business, the Share trading price and volume could decline.

The trading market for Shares will depend in part on the research and reports that securities or industry analysts publish about LXRandCo or its business. If no securities or industry analysts commence covering LXRandCo, the trading price for Shares would be negatively impacted. If LXRandCo obtains securities or industry analyst coverage and if one or more of the analysts who cover LXRandCo downgrade Shares or publish inaccurate or unfavorable research about LXRandCo's business, LXRandCo's trading price may decline. If one or more of these analysts cease coverage of LXRandCo or fail to publish reports on LXRandCo regularly, demand for Shares could decrease, which could cause the Share trading price and volume to decline.

Warrants are exercisable for Shares, which could increase the number of Shares eligible for future resale in the public market and result in dilution.

The outstanding Warrants would allow their holders to purchase an aggregate of 10,861,250 Shares in accordance with the terms of the Warrant Agreement. These Warrants are currently exercisable and will expire at 5:00 p.m. Toronto time, on June 9, 2022, or earlier upon redemption or liquidation. The exercise price of the Warrants is $11.50 per Share, or approximately $124.9 million in the aggregate for all Shares underlying the Warrants. The extent to which such Warrants are exercised will result in dilution to the holders of Shares and increase the number of Shares eligible for resale in the public market. Sales of substantial numbers of such Shares in the public market or the fact that such Warrants may be exercised could adversely affect the market price of the Shares.

There is no guarantee that the Warrants will ever be in-the-money, and the Warrants may expire worthless.

Pursuant to the terms of the Warrant Agreement, the Warrants are exercisable for an exercise price of $11.50 per Warrant. There is no guarantee that the Warrants will ever be in-the-money prior to their expiration, and as such, the Warrants may expire worthless.

DIVIDEND POLICY

LXRandCo has not declared or paid any cash dividends on its Shares since the date of its incorporation. LXRandCo intends to retain its earnings, if any, to finance the growth and development of its business and does not expect to pay dividends or to make any other distributions in the near future.

DESCRIPTION OF CAPITAL STRUCTURE

Overview

The authorized capital of LXRandCo consists of an unlimited number of class A restricted voting shares (**Class A Shares**), which are "restricted securities" within the meaning of such term under applicable Canadian securities laws, and an unlimited number of Shares, each without nominal or par value. As of the date hereof, the following securities are issued and outstanding: 28,176,012 Shares, and 10,861,250 Warrants. Although the Company is authorized to issue Class A Shares, it will not issue any such shares in future.

The following is a summary of certain of the rights, privileges, restrictions and conditions attaching to the Shares and Warrants of the Company.

Shares

Holders of Shares are entitled to receive notice of and to attend any meeting of shareholders of the Company and to one vote per Share at any such meetings, to receive dividends if, as and when declared by the Board, and to receive on a *pro rata* basis the remaining property and assets of the Company upon its dissolution or winding-up.

Warrants

The Warrants are exercisable for one Share at an exercise price of $11.50. The Warrants will expire at 5:00 p.m. (Toronto time) on June 9, 2022 or may expire earlier if the expiry date is accelerated. On or after the expiry date or acceleration thereof, a holder of a Warrant will have no further rights with respect to the Warrants.

The Warrant Agreement provides that the exercise price and number of shares issuable on exercise of the Warrants may be adjusted in certain circumstances, including in the event of a stock dividend, Extraordinary Dividend or a recapitalization, reorganization, merger or consolidation. The Warrants will not, however, be adjusted for issuances of shares at a price below their exercise price. The Company may accelerate the expiry date of the outstanding Warrants by providing 30 days' notice if, and only if, the closing price of the Shares equals or exceeds $24.00 per Share (as adjusted for stock splits or combinations, stock dividends, Extraordinary Dividends, reorganizations and recapitalizations) for any 20 trading days within a 30-trading day period, in which case the expiry date shall be the date which is 30 days following the date on which such notice is provided.

The Warrant holders do not have the rights or privileges of holders of shares nor any voting rights until they exercise their Warrants and receive corresponding shares. After the issuance of corresponding shares upon exercise of the Warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by shareholders.

Warrants may be exercised only for a whole number of shares. No fractional shares will be issued upon exercise of the Warrants. If, upon exercise of the Warrants, a holder would be entitled to receive a fractional interest in a share, the Company will, upon exercise, round down to the nearest whole number of shares to be issued to the Warrant holder.

PRIOR SALES

As of December 31, 2018, except as described below, no securities not listed or quoted on a market place were issued by LXRandCo since January 1, 2018.

Date of Issuance	Type of Security	Number of Class B Shares Issued or Issuable upon conversion or exchange	Issuance / Exercise Price per Security
May 3, 2018	Options	26,000	1.87
April 8, 2018	Options	12,500	6.25
May 8, 2018	Options	12,500	6.25
June 8, 2018	Options	12,500	6.25
July 8, 2018	Options	12,500	6.25
November 26, 2018	Performance Share Units	83,333	nil
March 20, 2018(1)	Deferred Share Units	25,512(1)	nil
May 5, 2018(1)	Deferred Share Units	11,467(1)	nil
August 9, 2018(1)	Deferred Share Units	104,198(1)	nil
November 5, 2018(1)	Deferred Share Units	265,610(1)	nil

Notes:

(1) Deferred Share Units issued under the Issuer's Deferred Share Unit plan and the value of which was determined in respect of the quarter for which the director's retainer was payable.

TRADING PRICE AND VOLUME

The Shares are listed and posted for trading on the TSX under the trading symbol "LXR". The following table sets out the price range (monthly high and low prices) and monthly trading volumes of the Shares for the period beginning on January 1, 2018 to December 31, 2018:

		Price range		
Year	**Month**	**High**	**Low**	**Volume**
2018	January	$ 5.80	$ 4.75	482,885
	February	$ 5.12	$ 4.53	91,030
	March	$ 4.95	$ 1.95	359,500
	April	$ 2.44	$ 1.93	587,700
	May	$ 1.95	$ 0.91	746,200
	June	$ 0.95	$ 0.69	589,600

Year	Month	Price range High	Price range Low	Volume
	July...	$ 0.77	$ 0.34	632,600
	August...	$ 0.50	$ 0.25	581,400
	September...	$ 0.37	$ 0.27	163,400
	October	$ 0.29	$ 0.19	274,400
	November..	$ 0.46	$ 0.22	413,100
	December..	$ 0.45	$ 0.17	387,700

The Warrants are listed and posted for trading on the TSX under the trading symbol “LXR.WT”. The following table sets out the price range (monthly high and low prices) and monthly trading volumes of the Warrants for the period beginning on January 1, 2018 to December 31, 2018:

Year	Month	Price range High	Price range Low	Volume
2018	January	$ 0.36	$ 0.24	130,200
	February...	$ 0.29	$ 0.19	48,500
	March	$ 0.25	$ 0.11	63,000
	April	$ 0.11	$ 0.11	1,000
	May	$ 0.07	$ 0.12	4,000
	June	$ 0.06	$ 0.01	32,000
	July...	$ 0.03	$ 0.01	323,331
	August...	$ 0.02	$ 0.01	217,000
	September...	$ 0.01	$ 0.01	1,000
	October	$ 0.02	$ 0.01	47,000
	November..	$ 0.01	$ 0.01	0
	December..	$ 0.01	$ 0.01	9,935

DIRECTORS AND OFFICERS

Directors and Executive Officers

The Board consists of nine directors. The directors are elected by shareholders at each annual meeting of LXRandCo’s shareholders, and all directors hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed and will be eligible for re-election or re-appointment. The nominees for election by shareholders as directors will be determined by the Compensation and Nominating Committee in accordance with the provisions of applicable corporate law and the charter of the Compensation and Nominating Committee.

The following are the names and municipalities of residence of LXRandCo’s directors and executive officers as of December 31, 2018, their positions and offices with LXRandCo and corresponding start dates, their principal occupations during the last five years and the number and percentage of Shares as of the date hereof :

Name and municipality of residence[5]	Office held with LXRandCo	Director and/or Executive Officer since	Present principal occupation and positions held[1]	Share Ownership[2] (% of voting rights)
Camillo di Prata[4][7] ...... Toronto, Ontario, Canada	Director[7]	June 11, 2015	Chief Executive Officer, Gibraltar & Company, Inc., Co-Chief Executive Officer, Gibraltar Opportunity, Inc., Co-Chief Executive Officer and Director, Gibraltar Growth Corporation	9,736,251 Shares (34.56%)
Steven Goldsmith[2]...... Merrimack, New Hampshire, USA	Director and Chief Executive Officer	June 9, 2017	Chief Executive Officer and President, LXRandCo, (2018 to Present), Chief Executive Officer and President, Brookstone (2016-2018)	15,000 Shares (0.05%)
Nadine Eap.................... Montréal, Québec, Canada	Interim Chief Financial Officer	November 22, 2018	Chief Financial Officer, LXRandCo (2018 to Present), Finance Manager, Aimia Inc. (2014-2018)	Nil.
Frédérick Mannella....... Montréal, Québec, Canada	Director and Chief Development Officer	June 9, 2017	Founder and Chief Development Officer, LXRandCo (2017 to Present)	3,757,884 Shares (13.34%)
Kei Izawa[2] .... Montréal, Québec, Canada	Director and Chief Operating Officer	June 9, 2017	Co-Founder and Chief Operating Officer, LXRandCo (2017 to Present)	452,078 Shares (1.60%)
Luc Mannella[6]............. Montréal, Québec, Canada	Director and Corporate Secretary	June 9, 2017	Managing Partner, Mannella, Gauthier, Tamaro and Associates (2006 to Present)	79,478 Shares (0.28%)
Joseph Mimran............. Toronto, Ontario, Canada	Director	June 11, 2015	Chairman, Gibraltar & Company, Inc., Co-Chief Executive Officer, Gibraltar Opportunity, Inc., and Chairman, Co-Chief Executive Officer, Gibraltar Growth, Founder and Creative Director, Joe Fresh (2006-2015)	9,716,500 Shares (34.5%)

Name and municipality of residence[5]	Office held with LXRandCo	Director and/or Executive Officer since	Present principal occupation and positions held[1]	Share Ownership[2] (% of voting rights)
Javier San Juan[2][3][4] ... Mexico City, Mexico	Director	June 11, 2015	Managing Director, Chief Executive Officer and President, L'Oréal Latin America (2014-2016), President & Chief Executive Officer, L'Oréal Canada (2006-2014), Vice-Chairman and Director, Gibraltar Growth	Nil.
Gregory Cecchin-Léger............................. Montréal, Québec, Canada	Human Resources Director	June 13, 2017	Human Resources Director, Human Resources Director Spiegel Sohmer, Manager Human Resources KPMG	Nil.
Masami Inamura .... Tokyo, Japan	Head of Supplier Sourcing	June 9, 2017	Head Buyer, LXRandCo	Nil.
Pierre-Andre Vungoc ... Montréal, Québec, Canada	Chief Technology Officer	June 9, 2017	Director of Technology, LXRandCo	Nil.
Lauri Kien Kotcher[3][4] .... New York, New York, United States	Director	June 13, 2018	Chief Executive Officer, Hello Products (2015 to present), Chief Marketing Officer, Godiva (2009 to 2013), Head of Global Marketing, Pfizer Consumer Healthcare (2004 to 2009), Managing Director, Lehman Brothers (2007 to 2008)	Nil.
Stephane Guerin[3][4]..... Montréal, Québec, Canada	Director	June 13, 2018	Partner and executive Vice-President, Groupe CT (2018 to present), Chief Financial and Development Officer, Groupe Dynamite Inc. (2017 to 2018), President and Chief Operating Officer, Hewitt Equipment Limited (2009 to 2017)	Nil.

Notes:

(1) Each of the persons has held these positions for five years other than as described above.

(2) Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as of the date of this Annual Information Form, based upon information furnished to the Company by individual directors. In respect of Mr. di Prata and Mr. Mimran, 9,716,500 Shares are held through Gibraltar & Company together with its affiliates.

(3) Member of the Audit Committee.

(4) Member of the Compensation and Nominating Committee.

(5) Fred Mannella, Kei Izawa, Joe Mimran, Cam di Prata, Steven Goldsmith and Luc Mannella are considered non-independent directors. As former officers and directors of Gibraltar Growth, Joe Mimran and Cam di Prata are not considered independent for the purposes of NI 58-101. As Chief Executive Officer of the Company, Chief Development Officer and Chief Operating Officer, Steven Goldsmith, Fred Mannella and Kei Izawa, respectively, are not considered independent for the purposes of NI 58-101. As an immediate family member of an officer of the Company, Luc Mannella is not considered independent for the purposes of NI 58-101.

(6) Mr. Luc Mannella resigned as Director and Corporate Secretary of the Company effective as of March 29, 2019.

(7) On December 17, 2018, Mr. di Prata stepped down as Chair but remained a director of the Company.

Ownership

As at December 31, 2018, the directors and executive officers of LXRandCo, as a group listed in the table above, beneficially own, or control or direct, directly or indirectly, approximately 14,040,691 Shares, representing approximately 49.83% of the number of outstanding Shares of the Company.

Cease Trade Orders

To the knowledge of LXRandCo, no director or executive officer of the Company (nor any personal holding company of any of such individuals) is, as of the date of this Annual Information Form, or was within ten years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including LXRandCo), that: (i) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**"), that was issued while the individual was acting in the capacity as a director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the individual ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that individual was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of LXRandCo, no director or executive officer of the Company (nor any personal holding company of any of such individuals): (i) is, as of the date of this Annual Information Form, or has been within the ten years before the date of this Annual Information Form, a director or executive officer of any company (including LXRandCo) that, while that individual was acting in that capacity, or within a year of that individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

To the knowledge of LXRandCo, no director or executive officer of the Company (nor any personal holding company of any of such individuals) has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable holder of Shares in deciding whether to vote for the proposed director; except that, in an August 1, 1995 decision, the Québec Superior Court found Mr. Luc Mannella, a Québec licensed lawyer, to have been in a conflict of interest and breached certain duties owed to a client in advising the client to invest in Exploration Graphicor Inc., a company on whose board of directors Mr. Mannella then sat. Following the investment by Mr. Mannella's client, it was determined that Exploration Graphicor Inc. was in financial difficulty. As a result of its findings, the Québec Superior Court ordered Mr. Mannella to reimburse his client for his losses.

Audit Committee

The Audit Committee consists of Javier San Juan (Chair), Lauri Kien Kotcher and Stephane Guerin, each of whom is and must at all times be financially literate within the meaning of NI 52-110. Each member of the Audit Committee is also independent within the meaning of NI 52-110. The relevant education and experience of each member of the Audit Committee is as follow:

Name	Relevant education and experience
Javier San Juan (Chair)	Javier holds a Bachelor's Degree in Law and a Bachelor's Degree in Economics from the University ICADE in Spain, as well as a post-graduate diploma from the HEC in Paris. Javier San Juan is the Managing Director of L'Oréal Latin America, and he has been a part of the L'Oréal Group ("**L'Oréal**") for over 25 years. Prior to his current position, Javier was President of L'Oréal Latin America Hispanic Region between 2014 and 2016. Between April 2006 and February 2014 Javier was the President and CEO of L'Oréal Canada. Prior to his joining L'Oréal, Javier was a finance executive for the pharmaceutical group Sandoz (now a part of Novartis).
Lauri Kien Kotcher	Lauri holds a Bachelor of Arts cum laude from Princeton University in New Jersey as well as a Juris Doctor Degree and Masters in Business Administration from Stanford University in California. Lauri Kien Kotcher is the Chief Executive Officer of Hello Products and has been a Senior Advisor at Catterton Partners and was part of the Portfolio Operations team where she served as a Board member of several portfolio companies and played an active leadership role in driving their growth. Prior to her current position, Lauri was the Chief Marketing Officer of Godiva, Head Global Marketing at Pfizer Consumer Healthcare and a Managing Director at Lehman Brothers. Earlier in her career, Lauri was a partner at McKinsey and Company.
Stephane Guerin	Stéphane holds a Bachelor of Commerce Degree from ESG-UQAM in Montreal, an Executive Education Degree from the University of Virginia Darden School of Business in Charlottesville and a Business Leadership Program Degree from the London Business School in London. Stéphane is also a member of the Canadian Chartered Professional Accountants Association. Stéphane Guerin is currently partner and executive Vice-Partner at Groupe CT. Previously, he was the Chief Financial and Development Officer of Groupe Dynamite Inc., where he was leading all aspects of Financial, Real Estate Development, Information Technology & Digital Transformation and International Expansion as well as Marketing. Prior to this position, Stéphane was President and Chief Operating Officer of Hewitt Equipment Limited between 2009 and 2017. Prior to this, Stéphane

	was the Chief Financial Officer of Air Canada Technical Services.

The Board has adopted a written charter for the Audit Committee, which sets out the Audit Committee's responsibility in reviewing and approving the financial statements of LXRandCo and public disclosure documents containing financial information and reporting on such review to the Board, ensuring that adequate procedures are in place for the reviewing of LXRandCo's public disclosure documents that contain financial information, overseeing the work and reviewing the independence of the external auditors. The text of the Charter of the Audit Committee that has been adopted is attached to this Annual Information Form as Appendix A of this Annual Information Form

The members of the Audit Committee will be appointed annually by the Board, and each member of the Audit Committee will serve at the request of the Board until the member resigns, is removed, or ceases to be a member of the Board.

All audit and non-audit services to be provided by the Company's external auditor will be required to be pre-approved by the Audit Committee. It is expected that on an annual basis, the Company's Audit Committee will pre-approve a budget for certain specific non-audit services such as assistance with tax returns.

External Audit Service Fees

The fees billed by the Company's external auditor in each of the last 2 fiscal years were as follows:

Year	Audit Fees	Audit-Related Fees(1)	Tax Fees(2)	All Other Fees
2018	$560,850	Nil.	$81,400	Nil.
2017	$264,920	$47,850	$7,000	$1,000

Notes:

(1) Audit-related fees include fees paid to LXRandCo's auditors for statutory audits, attestation services and due diligence services.

(2) Tax fees include fees paid to LXRandCo's auditors for tax compliance services.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the ordinary course of business, the Company and its subsidiaries may become involved in various legal, administrative, regulatory and other proceedings, actions, claims and inquiries relating to our business. Management is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against the Company or its subsidiaries which would be material to an investor of Shares. See further discussion under "Risk Factors".

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set out below or described elsewhere in this Annual Information Form, none of the proposed directors or executive officers of LXRandCo, or any person or company that is expected to beneficially own, or control or direct more than 10% of any class or series of shares of LXRandCo, or any associate or affiliate of any of the foregoing persons, has or has had any material interest in any past transaction within the three years before the date of the Annual Information Form, or any proposed transaction, that has materially affected or would materially affect LXRandCo or any of its expected subsidiaries.

The Company has guaranteed the mortgage taken on the building in which the Company leases space for its head office. Such building is owned by a company controlled by Fred Mannella and Kei Izawa.

PROMOTERS

Gibraltar Opportunity, Inc., Fred Mannella and Kei Izawa were, within the two most recently completed financial years, considered promoters of Gibraltar Growth, a predecessor to LXRandCo, within the meaning of applicable securities legislation.

As of the date hereof :

- Gibraltar Opportunity, Inc., together with its affiliates, beneficially owns, or controls or directs, directly or indirectly, 9,716,500 Shares, representing 34.5% of the issued and outstanding Shares.

- Fred Mannella beneficially owns, or controls or directs, directly or indirectly 3,757,884 Shares, representing 13.34% of the then issued and outstanding Shares; and

- Kei Izawa beneficially owns, or controls or directs, directly or indirectly 452,078 Shares, representing 1.60% of the then issued and outstanding Shares.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Shares is TSX Trust Company at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

The following are the only material contracts of the Company that are in effect (other than certain agreements entered into in the ordinary course of business):

(a) the Purchase Agreement;

(b) the Forfeiture and Transfer Restrictions Agreement and Undertaking, as amended, restated or otherwise modified; and

(c) the Warrant Agreement, as amended or supplemented (Described under "DESCRIPTION OF CAPITAL STRUCTURE - Warrants").

The summaries below describe the material attributes of each of the material contracts and are subject to, and qualified in their entirety by reference to, the relevant material contract, copies of which have been filed with the Canadian securities regulatory authorities and are available on SEDAR, at www.sedar.com, under our profile. Investors are encouraged to read the full text of such material agreements.

Purchase Agreement

On April 13, 2017, Gibraltar Growth entered into Purchase Agreement with Luc Mannella, Frédérick Mannella, Kei Izawa, Gibraltar & Company, Inc., Gibraltar Ventures Fund One Limited Partnership, and the other vendors named therein (collectively, the "**Vendors**") which provides for the acquisition by Gibraltar Growth of all the issued and outstanding shares of LXR Produits de Luxe for an aggregate purchase price of $82.5 million, which was adjusted post-closing, and payable in accordance with the terms of the Purchase Agreement. Pursuant to the Purchase Agreement, Gibraltar Growth assumed indebtedness (net of cash on hand) of LXR Produits de Luxe, and based on such net indebtedness, issued to the Vendors and reserve for optionholders an aggregate 7,607,347 Shares of Gibraltar Growth at $10.00 per Share (the "**Equity Consideration"**) at the Closing. The actual number of Shares issued and reserved for issuance was subject to adjustments, including for the actual amount of net indebtedness at Closing as well as customary working capital adjustments. In addition, given that less than 100% of the Class A Restricted Voting Shares were redeemed, a part of the compensation was paid to Frédérick Mannella and Kei Izawa (collectively, the "**Management Vendors"**) in cash at Closing (the "**Cash Consideration**").

The Cash Consideration, if any, and the Management Vendors' shares of the Equity Consideration (the "**Escrowed Management Consideration"**) were deposited with an escrow agent, to be released from holdback, subject to any pending claims by Gibraltar Growth, in three instalments with one-third of the Escrowed Management Consideration to be released on June 9, 2018; another one-third of the Escrowed Management Consideration to be released on December 9, 2018; and the remaining one-third of the Escrowed Management Consideration to be released on June 9, 2019.

All of the Shares issued to the Vendors other than the Management Vendors (the "**Non-Management Vendors"**) as Equity Consideration were subject to lock-up until the date that was 180 days after Closing.

The Purchase Agreement included customary pre-closing covenants to conduct the business in the ordinary course consistent with past practice, as well as customary pre-closing covenants of the parties. The Purchase Agreement also includes certain transaction specific covenants of the parties.

The Purchase Agreement contained representations and warranties and related indemnities, subject to certain thresholds and caps. While the representations of the Management Vendors are on a joint and several basis, the representations of the Non-Management Vendors are on a several basis only and only as to the information relating to such Non-Management Vendor. The Vendors provide fundamental representations and warranties, such as representations and warranties regarding existence, authority and title to the issued and outstanding shares of LXR Produits de Luxe and each Vendor also provides representations and warranties relating to misrepresentations in this prospectus (with each Non-Management Vendor's representations and warranties being limited to the information relating to such Non-Management Vendor). The Management Vendors only provide representations and warranties regarding the business carried on by LXR Produits de Luxe. Generally, the representations and warranties will survive for a period of 24 months, except for the fundamental representations and representations and warranties of the Vendors, which survive indefinitely, representations and warranties relating to this prospectus, which survive for three years, and the Vendors tax-related representations and warranties, which will survive until 90 days after the expiry of the applicable assessment period.

Forfeiture Conditions and Transfer Restrictions Agreement and Undertaking

On June 9, 2017, John M. Cassaday, Michael MacMilan, Joseph M. Natale, Earl Rotman and James Haggarty (collectively, the "**Founders**") entered into an amended and restated forfeiture conditions and transfer restrictions agreement and undertaking with CIBC World Markets Inc., TD Securities Inc. and Cantor Fitzgerald & Co, as joint book-runners (collectively, the "**Joint Book-Runners**"), on their behalf and on behalf of the underwriting syndicate from the initial public offering of Gibraltar Growth, and the TSX, which agreement amended and restated the forfeiture conditions and transfer restrictions agreement entered into on October 2, 2015.

As per this agreement, the Founders cannot (A) sell or transfer their Founders' Shares (as defined in the agreement) until the earlier of: (i) one year following the completion the Qualifying Acquisition; and (ii) the closing share price of the Shares equalling or exceeding $12.00 per share (as adjusted for stock splits or combinations, any type of dividend, reorganizations and recapitalizations) for any 20-trading days within a 30-trading day period at any time following the closing of a Qualifying Acquisition, subject to applicable securities laws, TSX rules (which may include TSX escrow restrictions); and (B) transfer any of its Shares until the date that is 30 days after the closing of the Qualifying Acquisition without the prior consent of the Company, the Joint Book-Runners and the TSX.

As per this agreement, 25% of the Founders' Shares held by each Founder will be subject to forfeiture on the fifth anniversary of a Qualifying Acquisition unless the closing share price of the Shares exceeds $13.00 (as adjusted for stock splits or combinations, any type of dividend, reorganizations and recapitalizations) for any 20-trading days within a 30-trading day period at any time following the closing of a Qualifying Acquisition. In addition, the Founders' Shares subject to forfeiture will be subject to additional transfer restrictions until the $13.00 closing Class B Share price condition is satisfied, at which point they will, if applicable, become subject to the same ongoing restrictions applicable to the other Founders' Shares at that time (which may include TSX escrow restrictions).

INTERESTS OF EXPERTS

Ernst & Young LLP have been auditors of LXR Produits de Luxe since 2012 and have been the auditors of LXRandCo since the LXR Acquisition date. They have confirmed their independence within the meaning of the Code of Ethics of the Ordre des comptables professionnels agréés du Québec.

Price Waterhouse Coopers LLP were the auditors of Gibraltar Growth since incorporation up to the LXR Acquisition date.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our Company's securities and securities authorized for issuance under equity compensation plans, will be contained in the Company's management information circular for the 2019 annual meeting of Shareholders. Additional financial information is provided in the Company's audited annual consolidated financial statements and management's discussion and analysis of our financial condition and results of operations for our most recently completed fiscal year ended December 31, 2018. Such documentation, as well as additional information relating to the Company, may be found under the Company's profile on SEDAR at www.sedar.com.

APPENDIX A – AUDIT COMMITTEE CHARTER

Section 1 PURPOSE

The audit committee (the "**Audit Committee**") is a committee of the board of directors (the "**Board**") of LXRandCo, Inc. (the "**Corporation**"). The primary function of the Audit Committee is to assist the directors of the Corporation in fulfilling their applicable roles by:

(a) recommending to the Board the appointment and compensation of the Corporation's external auditor;

(b) overseeing the work of the external auditor, including the resolution of disagreements between the external auditor and management;

(c) pre-approving all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Corporation by the Corporation's external auditor;

(d) satisfying themselves that adequate procedures are in place for the review of the Corporation's public disclosure of financial information, other than those described in (g) below, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures;

(e) establishing procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

(f) reviewing and approving any proposed hiring of current or former partner or employee of the current and former auditor of the Corporation; and

(g) reviewing and approving the annual and interim financial statements, related Management Discussion and Analysis ("**MD&A**") and other financial information provided by the Corporation to any governmental body or the public.

The Audit Committee should primarily fulfill these roles by carrying out the activities enumerated in this Charter. However, it is not the duty of the Audit Committee to prepare financial statements, to plan or conduct internal or external audits, to determine that the financial statements are complete and accurate and are in accordance with Canadian generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Corporation's internal policies, procedures and controls, as these are the responsibility of management, and in certain cases, the external auditor.

Section 2 LIMITATIONS ON AUDIT COMMITTEE'S DUTIES

In contributing to the Audit Committee's discharge of its duties under this Charter, each member of the Audit Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended to be, or may be construed as, imposing on any members of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors are subject.

Members of the Audit Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditor, (iv) financial statements of the Corporation represented to them by a member of management or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

Section 3 COMPOSITION AND MEETINGS

The Audit Committee should be comprised of not less than three directors as determined by the Board, all of whom shall be independent within the meaning of National Instrument 52-110 – Audit Committees ("**52-110**") of the Canadian Securities Administrators (or exempt therefrom), and free of any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee. A majority of the members of the Audit Committee must be resident Canadians. All members of the Audit Committee should have (or should gain within a reasonable period of time after appointment) a working familiarity with basic finance and accounting practices. At least one member of the Audit Committee should have accounting or related financial management expertise and be considered a financial expert. Each member should be "financially literate" within the meaning of 52-110. The Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant.

The members of the Audit Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Unless a Chair of the Audit Committee (the "**Chair**") is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.

In addition, the Audit Committee members should meet all of the requirements for members of audit committees as defined from time to time under applicable legislation and the rules of any stock exchange on which the Corporation's securities are listed or traded.

The Audit Committee should meet at least four times annually, or more frequently as circumstances require. The Audit Committee should meet within forty-five (45) days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and should meet within 90 days following the end of the fiscal year end to review and discuss the audited financial results for the preceding quarter and year and the related MD&A.

The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Audit Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and the external auditor of the Corporation, and others as they consider appropriate.

For greater certainty, management is indirectly accountable to the Audit Committee and is responsible for the timeliness and integrity of the financial reporting and information presented to the Board.

In order to foster open communication, the Audit Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Audit Committee or each of these groups believes should be discussed privately. In addition, the Audit Committee or its Chair should meet with management quarterly in connection with the Corporation's interim financial statements.

A quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee or such greater number as the Audit Committee shall by resolution determine, provided that a majority thereof are resident Canadians.

Meetings of the Audit Committee shall be held from time to time and at such place as any member of the Audit Committee shall determine upon 48 hours' notice to each of its members. The notice period may be waived by all members of the Audit Committee. Each of the Chair of the Board, the external auditor, the Chief Executive Officer, the Chief Financial Officer or the Secretary shall be entitled to request that any member of the Audit Committee call a meeting.

This Charter is subject in all respects to the Corporation's articles of incorporation and by-laws from time to time.

Section 4 ROLE

As part of its function in assisting the Board in fulfilling its oversight role (and without limiting the generality of the Audit Committee's role), the Audit Committee should:

(1) Determine any desired agenda items;

(2) Review and recommend to the Board changes to this Charter, as considered appropriate from time to time;

(3) Review the public disclosure regarding the Audit Committee required by 52-110;

(4) Review and seek to ensure that disclosure controls and procedures and internal control over financial reporting frameworks are operational and functional;

(5) Summarize in the Corporation's annual information form the Audit Committee's composition and activities, as required; and

(6) Submit the minutes of all meetings of the Audit Committee to the Board upon request.

Documents / Reports Review

(7) Review and recommend to the Board for approval the Corporation's annual and interim financial statements, including any certification, report, opinion, undertaking or review rendered by the external auditor and the related MD&A, as well as such other financial information of the Corporation provided to the public or any governmental body as the Audit Committee or the Board require.

(8) Review other financial information provided to any governmental body or the public as they see fit.

(9) Review, recommend and approve any of the Corporation's press releases that contain financial information.

(10) Seek to satisfy itself and ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and related MD&A and periodically assess the adequacy of those procedures.

External Auditor

(11) Recommend to the Board the selection of the external auditor, considering independence and effectiveness, and review the fees and other compensation to be paid to the external auditor.

(12) Review and seek to ensure that all financial information provided to the public or any governmental body, as required, provides for the fair presentation of the Corporation's financial condition, financial performance and cash flow.

(13) Instruct the external auditor that its ultimate client is not management and that it is required to report directly to the Audit Committee, and not management.

(14) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion between management and the external auditor.

(15) Review and discuss, on an annual basis, with the external auditor all significant relationships it has with the Corporation to determine the external auditor's independence.

(16) Pre-approve all non-audit services (or delegate such pre-approval, as the Audit Committee may determine and as permitted by applicable Canadian securities laws) to be provided by the external auditor.

(17) Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant.

(18) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.

(19) Communicate directly with the external auditor and arrange for the external auditor to be available to the Audit Committee and the full Board as needed.

(20) Review and approve any proposed hiring by the Corporation of current or former partners or employees of the current (and any former) external auditor of the Corporation.

Audit Process

(21) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Audit Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.

(22) Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.

(23) Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.

(24) Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Audit Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.

Financial Reporting Processes

(25) Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor as they see fit.

(26) Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure

practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices.

(27) Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.

(28) Review with management and the external auditor the Corporation's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto.

(29) Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.

(30) If considered appropriate, establish separate systems of reporting to the Audit Committee by each of management and the external auditor.

(31) Periodically consider the need for an internal audit function, if not present.

Risk Management

(32) Review program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.

General

(33) With prior Board approval, the Audit Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the Corporation) the compensation for any such advisors.

(34) Respond to requests by the Board with respect to the functions and activities that the Board requests the Audit Committee to perform.

(35) Periodically review this Charter and, if the Audit Committee deems appropriate, recommend to the Board changes to this Charter.

(36) Review the public disclosure regarding the Audit Committee required from time to time by applicable Canadian securities laws, including:

(i) the Charter of the Audit Committee;

(ii) the composition of the Audit Committee;

(iii) the relevant education and experience of each member of the Audit Committee;

(iv) the external auditor services and fees; and

(v) such other matters as the Corporation is required to disclose concerning the Audit Committee.

(37) Review in advance, and approve, the hiring and appointment of the Corporation's senior financial executives by the Corporation, if any.

(38) Perform any other activities as the Audit Committee deems necessary or appropriate including ensuring all regulatory documents are compiled to meet Committee reporting obligations under 52-110.

Section 5 AUDIT COMMITTEE COMPLAINT PROCEDURES

Submitting a Complaint

(39) Anyone may submit a complaint regarding conduct by the Corporation or its employees or agents (including its independent auditors) reasonably believed to involve questionable accounting, internal accounting controls or auditing matters. The Chair should oversee treatment of such complaints.

Procedures

(40) The Chair will be responsible for the receipt and administration of employee complaints.

(41) In order to preserve anonymity when submitting a complaint regarding questionable accounting or auditing matters, the employee may submit a complaint confidentially.

Investigation

(42) The Chair should review and investigate the complaint. Corrective action will be taken when and as warranted in the Chair's discretion.

Confidentiality

(43) The identity of the complainant and the details of the investigation should be kept confidential throughout the investigatory process.

Records and Report

(44) The Chair should maintain a log of complaints, tracking their receipt, investigation, findings and resolution, and should prepare a summary report for the Audit Committee.

The Audit Committee is a committee of the Board and is not and shall not be deemed to be an agent of the Corporation's securityholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to securityholders of the Corporation or other liability whatsoever.