

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D.C. 20549**

**FORM 10-Q**

(Mark One)

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended September 30, 2021

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-38783

**VILLAGE FARMS INTERNATIONAL, INC.**

(Exact name of Registrant as Specified in its Charter)

Canada  
(State or other Jurisdiction of  
Incorporation or Organization)

98-1007671  
(I.R.S. Employer  
Identification No.)

4700-80th Street  
Delta, British Columbia Canada  
V4K 3N3

(Address of Principal Executive Offices) (Zip Code)

(604) 940-6012  
Issuer's phone number, including area code

N/A  
(Former name, former address and former fiscal year, if changed since last report).

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, without par value	VFF	The Nasdaq Stock Market LLC

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐ Not Applicable ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "small reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 9, 2021, 85,705,649 shares of common stock were outstanding.

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## Cautionary Statement Regarding Forward Looking Statements

As used in this Quarterly Report on Form 10-Q, the terms “Village Farms”, “Village Farms International”, the “Company”, “we”, “us”, “our” and similar references refer to Village Farms International, Inc. and our consolidated subsidiaries, and the term “Common Shares” refers to our common shares, no par value. Our financial information is presented in U.S. dollars and all references in this Quarterly Report on Form 10-Q to “\$” means U.S. dollars and all references to “C\$” means Canadian dollars.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and is subject to the safe harbor created by those sections. This Quarterly Report on Form 10-Q also contains “forward-looking information” within the meaning of applicable Canadian securities law. We refer to such forward-looking statements and forward-looking information collectively as “forward-looking statements”. Forward-looking statements may relate to the Company’s future outlook or financial position and anticipated events or results and may include statements regarding the financial position, business strategy, budgets, expansion plans, litigation, projected production, projected costs, capital expenditures, financial results, taxes, plans and objectives of or involving the Company. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for the Company, the greenhouse vegetable industry, the cannabis industry or the CBD industry are forward-looking statements. In some cases, forward-looking information can be identified by such terms as “outlook”, “may”, “might”, “will”, “could”, “should”, “would”, “occur”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “try”, “estimate”, “predict”, “potential”, “continue”, “likely”, “schedule”, “objectives”, or the negative or grammatical variation thereof or other similar expressions concerning matters that are not historical facts. The forward-looking statements in this Quarterly Report on Form 10-Q are subject to risks that may include, but are not limited to: risks associated with produce industry and our operations therein, our limited operating history in other areas, including that of Balanced Health and our international equity interests, as well as related to Pure Sunfarms Corp. (“Pure Sunfarms”) and our operations of growing hemp in the United States; the legal status of Balanced Health and Pure Sunfarms CBD and cannabis business respectively; risks relating to obtaining additional financing, including our dependence upon credit facilities; potential difficulties in achieving and/or maintaining profitability; variability of product pricing; risks inherent in the cannabis, cannabinoids, CBD, hemp and agricultural businesses; risks related to the market position of Balanced Health and Pure Sunfarms and our ability to leverage current business relationships for future business involving hemp and cannabinoids; the ability of Pure Sunfarms to cultivate and distribute cannabis in Canada; existing and new governmental regulations, including risks related to regulatory compliance and licenses under the Canadian Cannabis Act, S.C. 2018, c. 16 (Canada) for its Delta greenhouse facilities, and changes in our regulatory requirements; risks related to rules and regulations at the U.S. federal (Food and Drug Administration and United States Department of Agriculture), state and municipal levels with respect to produce and commercialize, hemp and cannabidiol-based products; retail consolidation, technological advances and other forms of competition; transportation disruptions; product liability and other potential litigation; retention of key executives; labor issues; uninsured and underinsured losses; vulnerability to rising energy costs; environmental, health and safety risks, foreign exchange exposure, risks associated with cross-border trade; difficulties in managing our growth; restrictive covenants under our credit facilities; natural catastrophes; the ongoing and developing COVID-19 pandemic; the tomato brown-rugose virus; and tax risks.

The Company has based these forward-looking statements on factors and assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. Although the forward-looking statements contained in this Quarterly Report on Form 10-Q are based upon assumptions that management believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the Company’s control, that may cause the Company’s or the industry’s actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the factors contained in the Company’s filings with securities regulators, including this Quarterly Report on Form 10-Q. In particular, we caution you that our forward-looking statements are subject to the ongoing and developing circumstances related to the COVID-19 pandemic, which may have a material adverse effect on our business, operations and future financial results.

When relying on forward-looking statements to make decisions, the Company cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future results, performance, achievements, prospects and opportunities. The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events or information as of the date on which the statements are made in this Quarterly Report on Form 10-Q. Except as required by law, the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

## Part I – FINANCIAL INFORMATION

### Item 1. Financial Statements

**Village Farms International, Inc.**  
**Condensed Consolidated Interim Statements of Financial Position**  
(In thousands of United States dollars, except share data)  
(Unaudited)

	September 30, 2021	December 31, 2020
<b>ASSETS</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 79,199	\$ 21,640
Restricted cash	5,251	4,039
Trade receivables	34,183	23,222
Inventories	53,934	46,599
Other receivables	957	145
Income tax receivable	21	18
Prepaid expenses and deposits	9,708	6,145
Total current assets	183,253	101,808
<i>Non-current assets</i>		
Property, plant and equipment	196,271	187,020
Investment in minority interests	2,334	1,226
Note receivable - joint venture	3,385	3,545
Goodwill	93,356	24,027
Intangibles	16,833	17,311
Deferred tax asset	16,575	13,312
Right-of-use assets	8,019	3,832
Other assets	2,646	1,950
Total assets	\$ 522,672	\$ 354,031
<b>LIABILITIES</b>		
<i>Current liabilities</i>		
Line of credit	\$ —	\$ 2,000
Trade payables	16,032	15,064
Current maturities of long-term debt	10,342	10,166
Note payable	—	15,314
Accrued sales taxes	2,107	—
Accrued loyalty program	2,363	—
Accrued liabilities	22,328	22,438
Lease liabilities - current	1,056	1,134
Income tax payable	2,270	4,523
Other current liabilities	2,524	1,641
Total current liabilities	59,022	72,280
<i>Non-current liabilities</i>		
Long-term debt	52,723	53,913
Deferred tax liability	19,002	18,059
Lease liabilities - non-current	7,044	2,863
Other liabilities	1,904	1,633
Total liabilities	139,695	148,748
Commitments and contingencies (note 18)		
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, no par value per share - unlimited shares authorized; 86,241,701 shares issued and 85,705,649 shares outstanding at September 30, 2021, and 66,911,811 shares issued and outstanding at December 31, 2020.	344,269	145,668
Additional paid in capital	7,541	17,502
Accumulated other comprehensive income	6,463	6,255
Retained earnings	24,704	35,858
Total shareholders' equity	382,977	205,283
Total liabilities and shareholders' equity	\$ 522,672	\$ 354,031

*The accompanying notes are an integral part of these Condensed Consolidated Interim Statements of Financial Position.*

**Village Farms International, Inc.**  
**Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)**  
(In thousands of United States dollars, except per share data)  
**(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Sales	\$ 72,442	\$ 43,037	\$ 195,212	\$ 122,722
Cost of sales	(54,693)	(37,418)	(169,891)	(112,809)
Gross margin	17,749	5,619	25,321	9,913
Selling, general and administrative expenses	(13,132)	(4,942)	(30,249)	(12,676)
Share-based compensation	(1,820)	(472)	(5,705)	(1,329)
Interest expense	(620)	(299)	(1,959)	(1,273)
Interest income	50	101	99	577
Foreign exchange loss	(324)	(484)	(635)	(880)
Gain on settlement agreement	—	—	—	4,681
Other (expense) income	(119)	27	(354)	92
Loss on disposal of assets	—	—	(40)	(6)
Income (loss) before taxes and earnings of unconsolidated entities	1,784	(450)	(13,522)	(901)
(Provision for) recovery of income taxes	(1,077)	(336)	2,543	607
Income (loss) from consolidated entities after income taxes	707	(786)	(10,979)	(294)
Equity earnings (losses) from unconsolidated entities	38	1,306	(175)	4,885
Net income (loss)	\$ 745	\$ 520	\$ (11,154)	\$ 4,591
Basic income(loss) per share	\$ 0.01	\$ 0.01	\$ (0.14)	\$ 0.08
Diluted income (loss) per share	\$ 0.01	\$ 0.01	\$ (0.14)	\$ 0.08
Weighted average number of common shares used in the computation of net income (loss) per share (in thousands):				
Basic	84,823	58,536	80,671	55,946
Diluted	86,910	60,440	80,671	57,778
Net income (loss)	\$ 745	\$ 520	\$ (11,154)	\$ 4,591
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(3,869)	31	208	(41)
Comprehensive (loss) income	\$ (3,124)	\$ 551	\$ (10,946)	\$ 4,550

*The accompanying notes are an integral part of these Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss).*

**Village Farms International, Inc.**  
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**  
(In thousands of United States dollars)  
**(Unaudited)**

Three Months Ended September 30, 2021

	Number of Common Shares (in thousands)	Common Stock	Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
Balance at July 1, 2021	80,964	\$ 302,497	\$ 6,748	\$ 10,332	\$ 23,959	\$ 343,536
Shares issued in acquisition	4,707	\$ 41,752				\$ 41,752
Shares issued on exercise of stock options	15	20	(7)	—	—	13
Share re-purchases	(107)	—	(1,020)	—	—	(1,020)
Share-based compensation	127	—	1,820	—	—	1,820
Cumulative translation adjustment	—	—	—	(3,869)	—	(3,869)
Net income	—	—	—	—	745	745
Balance at September 30, 2021	<u>85,706</u>	<u>\$ 344,269</u>	<u>\$ 7,541</u>	<u>\$ 6,463</u>	<u>\$ 24,704</u>	<u>\$ 382,977</u>

Three Months Ended September 30, 2020

	Number of Common Shares (in thousands)	Common Stock	Additional paid in capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
Balance at July 1, 2020	56,403	\$ 105,829	\$ 5,128	\$ (547)	\$ 28,321	\$ 138,731
Shares issued in public offering, net of issuance costs	9,396	35,275	—	—	—	35,275
Warrants issued in public offering	—	—	11,369	—	—	11,369
Shares issued on exercise of stock options	161	206	(77)	—	—	129
Share-based compensation	—	—	472	—	—	472
Cumulative translation adjustment	—	—	—	31	—	31
Net income	—	—	—	—	520	520
Balance at September 30, 2020	<u>65,960</u>	<u>\$ 141,310</u>	<u>\$ 16,892</u>	<u>\$ (516)</u>	<u>\$ 28,841</u>	<u>\$ 186,527</u>

Nine Months Ended September 30, 2021

	Number of Common Shares	Common Stock	Additional paid in capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity
Balance at January 1, 2021	66,912	\$ 145,668	\$ 17,502	\$ 6,255	\$ 35,858	\$ 205,283
Shares issued in public offering, net of issuance costs	10,887	127,489	—	—	—	127,489
Shares issued in acquisition	4,707	41,752	—	—	—	41,752
Shares issued on exercise of warrants	3,188	29,050	(10,555)	—	—	18,495
Shares issued on exercise of stock options	177	310	(111)	—	—	199
Share re-purchases	(535)	—	(5,000)	—	—	(5,000)
Share-based compensation	370	—	5,705	—	—	5,705
Cumulative translation adjustment	—	—	—	208	—	208
Net loss	—	—	—	—	(11,154)	(11,154)
Balance at September 30, 2021	<u>85,706</u>	<u>\$ 344,269</u>	<u>\$ 7,541</u>	<u>\$ 6,463</u>	<u>\$ 24,704</u>	<u>\$ 382,977</u>

Nine Months Ended September 30, 2020

	Number of Common Shares (in thousands)	Common Stock	Additional paid in capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
Balance at January 1, 2020	52,657	\$ 98,333	\$ 4,351	\$ (475)	\$ 24,250	\$ 126,459
Shares issued in public offering, net of issuance costs	12,990	42,569	—	—	—	42,569
Warrants issued in public offering	—	—	11,369	—	—	11,369
Shares issued on exercise of stock options	313	408	(157)	—	—	251
Share-based compensation	—	—	1,329	—	—	1,329
Cumulative translation adjustment	—	—	—	(41)	—	(41)
Net income	—	—	—	—	4,591	4,591
Balance at September 30, 2020	<u>65,960</u>	<u>\$ 141,310</u>	<u>\$ 16,892</u>	<u>\$ (516)</u>	<u>\$ 28,841</u>	<u>\$ 186,527</u>

*The accompanying notes are an integral part of these Condensed Consolidated Interim Statements of Changes in Shareholders' Equity.*

**Village Farms International, Inc.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
(In thousands of United States dollars)  
(Unaudited)

	Nine Months Ended September 30,	
	2021	2020
<b>Cash flows (used in) provided by operating activities:</b>		
Net (loss) income	\$ (11,154)	\$ 4,591
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	9,364	4,540
Amortization of deferred charges	234	57
Share of loss (income) from joint ventures	175	(4,885)
Bad debt expense	(19)	—
Interest expense	1,959	1,273
Interest income	(99)	(577)
Interest paid on long-term debt	(2,926)	(1,318)
Unrealized foreign exchange gain/loss	19	—
Gain on settlement agreement	—	(4,681)
Loss on disposal of assets	40	6
Non-cash lease expense	(376)	(935)
Interest paid on finance lease	(1)	(3)
Share-based compensation	5,705	1,329
Deferred income taxes	(3,196)	(321)
Changes in non-cash working capital items	(20,831)	4,938
Net cash (used in) provided by operating activities	(21,106)	4,014
<b>Cash flows used in investing activities:</b>		
Purchases of property, plant and equipment	(15,131)	(1,076)
Advances to joint ventures	(15)	(133)
Acquisitions, net	(25,944)	(11,713)
Investment in minority interests	(1,109)	(1,226)
Net cash used in investing activities	(42,199)	(14,148)
<b>Cash flows provided by financing activities:</b>		
Proceeds from borrowings	4,147	3,000
Repayments on borrowings	(7,410)	(4,326)
Proceeds from issuance of common stock and warrants	135,000	46,388
Issuance costs	(7,511)	(3,819)
Proceeds from exercise of stock options	199	251
Proceeds from exercise of warrants	18,495	11,369
Share re-purchases	(5,000)	—
Payments on capital lease obligations	(537)	(51)
Payment of note payable related to acquisition of Pure Sunfarms	(15,498)	—
Net cash provided by financing activities	121,885	52,812
Effect of exchange rate changes on cash and cash equivalents	191	(1)
<b>Net increase in cash and cash equivalents</b>	<b>58,771</b>	<b>42,677</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>25,679</b>	<b>11,989</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 84,450</b>	<b>\$ 54,666</b>
<b>Supplemental disclosure of non-cash activities:</b>		
Shares issued for acquisition	\$ 41,752	\$ -

*The accompanying notes are an integral part of these Condensed Consolidated Interim Statements of Cash Flows.*

VILLAGE FARMS INTERNATIONAL, INC.  
Notes to Condensed Consolidated Interim Financial Statements  
(In thousands of United States dollars, except per share amounts, unless otherwise noted)

## 1 NATURE OF OPERATIONS

Village Farms International, Inc. (“VFF” and, together with its subsidiaries, the “Company”, “we”, “us”, or “our”) is incorporated under the Canada Business Corporations Act. VFF’s principal operating subsidiaries as of September 30, 2021 are Village Farms Canada Limited Partnership (“VFCLP”), Village Farms, L.P. (“VFLP”), VF Clean Energy, Inc. (“VFCE”), Pure Sunfarms Corp. (“Pure Sunfarms” or “PSF”), and Balanced Health Botanicals, LLC (“Balanced Health” or “BHB”). The address of the registered office of VFF is 4700-80th Street, Delta, British Columbia, Canada, V4K 3N3. VFF also owns a 65% equity interest in Village Fields Hemp USA LLC (“VF Hemp”), which is recorded as an equity investment (note 10).

The Company’s shares are listed on both the Toronto Stock Exchange and the Nasdaq Capital Market (“Nasdaq”), in each case, under the symbol “VFF”.

The Company owns and operates sophisticated, highly intensive agricultural greenhouse facilities in British Columbia and Texas, where it produces, markets and sells premium-quality tomatoes, bell peppers and cucumbers. The Company, through Pure Sunfarms, is a vertically-integrated licensed producer and supplier of cannabis products to be sold to other licensed providers and provincial governments across Canada and internationally. The Company, through BHB, develops and sells high-quality, cannabidiol (“CBD”) based products including ingestible, edible and topical applications. The Company, through VFCE, owns and operates a power plant that generates electricity that is sold to BC Hydro.

## 2 BASIS OF PRESENTATION

The accompanying unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2021 have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments of a normal recurring nature considered necessary for fair presentation have been included. Operating results for the three and nine months ended September 30, 2021 are subject to seasonal variations and accordingly are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. For further information, refer to the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the fiscal years ended December 31, 2020 and 2019.

## 3 NEW ACCOUNTING PRONOUNCEMENTS

In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”). ASU 2020-04 provides optional expedients and exceptions for applying GAAP to debt instruments, derivatives, and other contracts that reference LIBOR or other reference rates expected to be discontinued as a result of reference rate reform. This guidance is optional and may be elected through December 31, 2022 using a prospective application on all eligible contract modifications. The Company has a line of credit that incorporates LIBOR as a referenced interest rate. It is difficult to predict what effect, if any, the phase-out of LIBOR and the use of alternative benchmarks may have on the Company’s business or on the overall financial markets. The Company has not adopted any of the optional expedients or exceptions through September 30, 2021 but will continue to evaluate the possible adoption of any such expedients or exceptions.

## 4 INVENTORIES

Inventories consisted of the following:

Classification	September 30, 2021	December 31, 2020
<b>Cannabis:</b>		
Raw materials	\$ 9,340	\$ 13,168
Work-in-process	3,591	2,971
Finished goods	18,003	13,722
Packaging	5,205	2,360
<b>Produce and Energy:</b>		
Crop inventory	15,669	13,441
Purchased produce inventory	1,997	810
Spare parts inventory	129	127
<b>Inventory</b>	<b>\$ 53,934</b>	<b>\$ 46,599</b>



VILLAGE FARMS INTERNATIONAL, INC.  
Notes to Condensed Consolidated Interim Financial Statements  
(In thousands of United States dollars, except per share amounts, unless otherwise noted)

## 5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

Classification	September 30, 2021	December 31, 2020
Land	\$ 13,922	\$ 13,895
Leasehold and land improvements	5,118	4,154
Buildings	151,989	142,060
Machinery and equipment	77,568	69,390
Construction in progress	49,955	49,512
Less: Accumulated depreciation	(102,281)	(91,991)
Property, plant and equipment, net	<u>\$ 196,271</u>	<u>\$ 187,020</u>

## 6 INTANGIBLES

Intangibles consisted of the following:

Classification	September 30, 2021	December 31, 2020
Licenses	\$ 12,824	\$ 12,870
Branding	3,697	3,688
Computer Software	947	945
Other	144	—
Less: Accumulated amortization	(779)	(192)
Intangibles, net	<u>\$ 16,833</u>	<u>\$ 17,311</u>

The expected future amortization expense for definite-lived intangible assets as of September 30, 2021 was as follows:

Fiscal period	
Remainder of 2021	\$ 197
2022	786
2023	780
2024	780
2025	688
Thereafter	9,761
Intangibles, net	<u>\$ 12,992</u>

## 7 LEASES

The Company leases a parcel of land in Marfa, Texas where one of its greenhouses resides, as well as two distribution centers located in Fort Worth, Texas and Surrey, British Columbia. The Company leases production-related equipment at its greenhouses in Texas and British Columbia. The Company also leases an office building located in Lake Mary, Florida for its corporate headquarters, and office and manufacturing space in Denver, Colorado for BHB's headquarters and operations.

VILLAGE FARMS INTERNATIONAL, INC.

Notes to Condensed Consolidated Interim Financial Statements

(In thousands of United States dollars, except per share amounts, unless otherwise noted)

The components of lease related expenses are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Operating lease expense <sup>(a)</sup>	\$ 757	\$ 533	\$ 2,020	\$ 1,649
Finance lease expense:				
Amortization of right-of-use assets	\$ 4	\$ 12	\$ 21	\$ 51
Interest on lease liabilities	—	1	1	3
Total finance lease expense	\$ 4	\$ 13	\$ 22	\$ 54

<sup>(a)</sup>Includes short-term lease costs of \$194 and \$275 for the three months ended September 30, 2021 and 2020, respectively, and \$497 and \$315 for the nine months ended September 30, 2021 and 2020, respectively.

Cash paid for amounts included in the measurement of lease liabilities:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Operating cash flows from operating leases	\$ 122	\$ 308	\$ 376	\$ 935
Operating cash flows from finance leases	\$ -	\$ 1	\$ 1	\$ 3
Finance cash flows from finance leases	\$ 227	\$ 12	\$ 537	\$ 51

	September 30, 2021
<b>Weighted average remaining lease term:</b>	
Operating leases	6.5
Finance leases	0.9
<b>Weighted average discount rate:</b>	
Operating leases	8.43%
Finance leases	6.25%

Maturities of lease liabilities are as follows:

	Operating leases	Finance leases
Remainder of 2021	\$ 583	\$ 5
2022	2,137	9
2023	1,900	—
2024	1,386	—
2025	1,145	—
Thereafter	4,348	—
Undiscounted lease cash flow commitments	11,499	14
Reconciling impact from discounting	(3,411)	(2)
Lease liabilities on consolidated statement of financial position as of September 30, 2021	\$ 8,088	\$ 12

VILLAGE FARMS INTERNATIONAL, INC.  
Notes to Condensed Consolidated Interim Financial Statements  
(In thousands of United States dollars, except per share amounts, unless otherwise noted)

## 8 PURE SUNFARMS ACQUISITION

On November 2, 2020, Village Farms consummated a definitive purchase and sale agreement with Emerald Health Therapeutics Inc. (“Emerald”), acquiring 36,958,500 common shares in the capital of Pure Sunfarms owned by Emerald, and increasing Village Farms’ ownership of Pure Sunfarms to 100%. The shares were acquired for a total purchase price of C\$79.9 million (US\$60.0 million), satisfied through an initial C\$60.0 million (US\$45.0 million) cash payment and a C\$19.9 million (US\$15.0 million) secured promissory note that was payable to Emerald, which promissory note was repaid in full on February 8, 2021.

The acquisition was a business combination and has been accounted for in accordance with the measurement and recognition provisions of Accounting Standards Codification (“ASC”) Topic 805, *Business Combinations* (ASC Topic 805”). ASC Topic 805 requires that the purchase consideration be allocated to the assets acquired and liabilities assumed in a business combination based upon their estimated fair values at the date of acquisition. The purchase price has been allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. The Company used information available to make fair value determinations and engaged independent valuation specialists to assist in the fair value determination of acquired intangible assets. The estimated fair value of licenses was determined using a multi-period excess earnings method. This earnings-based method considers the net present value of the licenses’ cash flows discounted at an asset specific discount rate. The net present value attributable to the licenses deducts the contributory asset charges used in connection with the licenses. The estimated fair value of the brand was determined using the relief-from-royalty method. This method assumes that the brand has value to the extent that their owner is relieved of the obligation to pay royalties for the benefits received from them. This method requires the Company to estimate the future revenues for the related brand, the appropriate royalty rate, and an asset specific discount rate. This measure of fair value requires considerable judgment about the value a market participant would be willing to pay to achieve the benefits associated with the brand. Acquired property, plant and equipment and software were valued using the replacement cost method, which requires the Company to estimate the costs to construct an asset of equivalent utility at prices available at the time of the valuation analysis, with adjustments in value for physical deterioration and functional and economic obsolescence. Upon the acquisition of Pure Sunfarms, the Company identified goodwill of C\$30,618 (US\$24,087). This goodwill was calculated as the difference between the fair value of the consideration issued for the acquisition of Pure Sunfarms and the fair value of all assets and liabilities acquired. The goodwill is attributable to the acquired workforce and potential for growth through the conversion of the Delta 1 greenhouse facility and future accretive acquisitions. The Company is required to record a deferred tax liability for the difference between the assigned values and the tax bases of assets acquired and liabilities assumed. None of the goodwill is deductible for tax purposes. As a result of the acquisition, the Company also recognized a gain of \$23.6 million due to the revaluation of its previously held investment in Pure Sunfarms to its fair value at the acquisition date. The accounting for the business combination was considered complete for the year ended December 31, 2020.

The following table shows the allocation of the purchase price to assets acquired and liabilities assumed, based on estimates of fair value, including a summary of the identifiable classes of consideration transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

Consideration paid	Shares	Share Price	Amount
Cash			\$ 45,259
Promissory note			15,011
Shareholder loan			4,529
Promissory note owed to PSF from Emerald			439
Due to related party			61
Fair value of previously held investment shares held by Village Farms	52,569,197	\$ 1.767	92,881
Total fair value of consideration			<u>\$ 158,180</u>

VILLAGE FARMS INTERNATIONAL, INC.  
Notes to Condensed Consolidated Interim Financial Statements  
(In thousands of United States dollars, except per share amounts, unless otherwise noted)

	November 2, 2020
<b>ASSETS</b>	
Cash and cash equivalents	\$ 10,860
Trade receivables, net	10,553
Inventories	32,393
Prepaid expenses and deposits	3,572
Property, plant and equipment	122,831
Goodwill	23,095
Intangibles	16,670
Total assets	219,974
<b>LIABILITIES</b>	
Trade payables	3,849
Accrued liabilities	13,062
Income taxes payable	2,173
Current maturities of long-term debt	2,306
Deferred revenue	77
Long-term debt	23,903
Deferred tax liabilities	16,424
Total liabilities	61,794
Net assets acquired	158,180

Prior to its acquisition on November 2, 2020, the Company accounted for its investment in Pure Sunfarms, in accordance with ASC Topic 323, *Equity Method and Joint Ventures* (“ASC Topic 323”), using the equity method. The Company determined that Pure Sunfarms was a variable interest entity (“VIE”), however the Company did not consolidate Pure Sunfarms because the Company was not the primary beneficiary. Although the Company was able to exercise significant influence over the operating and financial policies of Pure Sunfarms through its then 58.7% majority interest, the Company shared joint control of the board of directors and therefore was not the primary beneficiary. For the three and nine months ended September 30, 2020, the Company’s equity earnings from Pure Sunfarms were \$1,443 and \$5,437, respectively.

On March 2, 2020, pursuant to the Settlement Agreement, Emerald transferred to the Company 2.5% of additional equity in Pure Sunfarms. The Company determined the fair value of the equity received from Emerald to be C\$6.5 million (US\$4.7 million). The Company recorded this amount as a gain and included it as a gain on settlement agreement on the Condensed Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) for the nine months ended September 30, 2020.

Summarized financial information of Pure Sunfarms:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Sales	\$ 27,393	\$ 17,048	\$ 69,614	\$ 39,571
Cost of sales*	(14,244)	(11,154)	(44,433)	(23,678)
Gross Margin	13,149	5,894	25,181	15,893
Selling, general and administrative expenses	(5,510)	(2,447)	(15,131)	(6,731)
Income from operations	7,639	3,447	10,050	9,162
Interest expense, net	(563)	(386)	(1,362)	(734)
Foreign exchange (loss) gain	105	(56)	(131)	(207)
Loss on disposal	—	—	(40)	—
Other income, net**	131	(131)	(188)	4,202
Income before taxes	7,312	2,874	8,329	12,423
Provision for income taxes	(2,024)	(417)	(2,654)	(3,012)
Net income	\$ 5,288	\$ 2,457	\$ 5,675	\$ 9,411

VILLAGE FARMS INTERNATIONAL, INC.  
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- \* Included in cost of sales for the three months ended September 30, 2021 and 2020 is \$1,353 and \$961 of depreciation expense, respectively, and for the nine months ended September 30, 2021 and 2020 is \$3,944 and \$1,973 of depreciation expense, respectively.
- \*\* Includes gain recognized on settlement of net liabilities of \$4,348.

## **9 BALANCED HEALTH BOTANICALS ACQUISITION**

On August 16, 2021, the Company entered into a Membership Interest Purchase Agreement (the “Purchase Agreement”), by and among Village Farms, Balanced Health and the other parties thereto, including the members of Balanced Health (collectively, the “Sellers”). The Purchase Agreement provided for the acquisition of a 100% interest in Balanced Health (the “Balanced Health Acquisition”), for a total purchase price comprised of a cash purchase price of approximately \$30 million, and an aggregate of 4,707,113 of our common shares, with a fair value of approximately \$42 million, issued to the Sellers on the closing date of the Balanced Health Acquisition (the “Closing Date”).

In connection with the Balanced Health Acquisition, each of the Sellers entered into a lock-up agreement with us, pursuant to which each such Seller has agreed not to resell the Village Farms common shares received as consideration in the Balanced Health Acquisition until such common shares cease to be “Restricted Shares” (as defined in the Purchase Agreement) (“Restricted Shares”). Under the terms of the Purchase Agreement and the lock-up agreements, such common shares cease to be Restricted Shares, as follows: (i) with respect to one-fourth (1/4) of such common shares, on the Closing Date; (ii) with respect to an additional one-fourth (1/4) of such common shares, on the last day of the four (4) month period following the Closing Date; (iii) with respect to an additional one-fourth (1/4) of such common shares, on the last day of the eight (8) month period following the Closing Date; and (iv) with respect to an additional one-fourth (1/4) of such common shares, on the last day of the twelve (12) month period following the Closing Date.

The acquisition meets the definition of a business combination and is being accounted for in accordance with the measurement and recognition provisions of ASC Topic 805. ASC Topic 805 requires that the purchase consideration be allocated to the assets acquired and liabilities assumed in a business combination based upon their estimated fair values at the date of acquisition. As of the date of this Quarterly Report on Form 10-Q, Village Farms has not completed the detailed valuation study necessary to arrive at the required final estimates of the fair value of Balanced Health’s tangible and intangible assets acquired and liabilities assumed and the related calculation of goodwill. As a result, the fair value of assets acquired, and liabilities assumed presented in the table below are subject to change as additional information becomes available and as additional analysis is performed.

Based upon preliminary estimates, the Company identified goodwill of \$69,269. This goodwill was calculated as the difference between the fair value of the consideration issued for the acquisition of Balanced Health and the estimated fair value of all assets and liabilities acquired. The Company expects to recognize intangible assets but is still in the process of identifying and valuing the assets. The Company expects the accounting for the business combination to be complete by December 31, 2021.

VILLAGE FARMS INTERNATIONAL, INC.

Notes to Condensed Consolidated Interim Financial Statements

(In thousands of United States dollars, except per share amounts, unless otherwise noted)

The following table shows the preliminary allocation of the purchase price to assets acquired and liabilities assumed, based on estimates of fair value, including a summary of the identifiable classes of consideration transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

Consideration paid	Shares	Share Price	Amount
Cash			\$ 30,000
Village Farms common shares issued	4,707,113	\$ 8.87	41,752
Working capital adjustment			\$ 192
Total fair value of consideration			<u>\$ 71,944</u>

August 16, 2021

<b>ASSETS</b>			
Cash and cash equivalents		\$	4,056
Trade and other receivables, net			1,030
Inventories			1,796
Prepaid expenses and deposits			667
Property, plant and equipment			1,900
Right-of-use asset			5,099
Goodwill			69,269
Intangibles			144
Other assets			362
Total assets			<u>84,323</u>
<b>LIABILITIES</b>			
Trade payables			672
Accrued liabilities			5,974
Deferred revenue			192
Lease liability			5,541
Total liabilities			<u>12,379</u>
Net assets acquired			<u>71,944</u>

**Pro Forma Financial Information (unaudited)**

The following unaudited pro forma financial information presents the Company's consolidated results assuming the Balanced Health Acquisition occurred on January 1, 2020.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Sales	\$ 75,872	\$ 51,518	\$ 214,060	\$ 150,283
Net income	<u>\$ 2,376</u>	<u>\$ (134)</u>	<u>\$ (6,816)</u>	<u>\$ 250</u>

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**10 INVESTMENTS IN JOINT VENTURES AND MINORITY INTERESTS**

**Village Fields Hemp USA LLC**

The Company's equity income (losses) from VF Hemp for the three months ended September 30, 2021 and 2020 were \$38 and (\$137), respectively, and for the nine months ended September 30, 2021 and 2020 were (\$175) and (\$552), respectively. The Company's maximum exposure to loss as a result of its involvement with VF Hemp is directly related to the recovery of the \$3,385 loan outstanding to VF Hemp.

The Company's share of the joint venture consisted of the following:

Balance, January 1, 2020	\$ —
Share of net loss	(552)
Losses applied against joint venture note receivable	552
Balance, December 31, 2020	<u>\$ —</u>
Balance, January 1, 2021	\$ —
Share of net loss	(175)
Losses applied against joint venture note receivable	175
Balance, September 30, 2021	<u><u>\$ —</u></u>

Summarized financial information of VF Hemp:

	September 30, 2021	December 31, 2020
Current assets		
Inventory	\$ 4,035	\$ 4,035
Other current assets	189	302
Non-current assets	857	937
Current liabilities	(1,529)	(1,472)
Non-current liabilities	(13,715)	(13,697)
Net assets	<u><u>\$ (10,163)</u></u>	<u><u>\$ (9,895)</u></u>
Reconciliation of net assets:		
Accumulated retained earnings	\$ (9,905)	\$ (3,791)
Net loss	(268)	(6,114)
Contributions from joint venture partners	10	10
Net assets	<u><u>\$ (10,163)</u></u>	<u><u>\$ (9,895)</u></u>

During the nine months ended September 30, 2021, the Company exercised a portion of its options and purchased additional shares in Australia-based Altum International Pty Ltd ("Altum"), bringing the Company's total investment in Altum to 11.9%.

In September 2021, the Company entered into an option agreement whereby the Company received the irrevocable right to acquire an 80% ownership interest (the "Option Agreement") in Netherlands-based Leli Holland B.V. ("Leli") upon payment of EUR50,000 (the "Option"). The Option Agreement allows the Company to acquire 80% of Leli's shares for EUR3,950,000, of which EUR950,000 is due and payable to Leli's shareholders upon the exercise of the Option and the remainder due in three equal installments subject to the achievement of certain project development milestones. The option is exercisable at the sole discretion of the Company for a period of 5 years.

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Leli is one of ten applicants selected to receive a license (subject to customary government approval) to legally cultivate and distribute cannabis to retailers when the Dutch government implements its Experiment to Investigate Closed Cannabis Supply Chains (“Dutch Supply Chain Experiment”). The Dutch Supply Chain Experiment is specified by the Dutch government to be approximately 65,000 kilograms of dried flower annually from the ten approved producers during the first year. Leli and Village Farms plan to construct two indoor CEA production facilities, leveraging Leli’s track record managing complex regulatory and approval procedures in the Netherlands at both the federal and local levels and Village Farms’ three-plus decades as a vertically integrated CEA grower, as well as its extensive experience in cultivation, product development and commercialization in the Canadian legal recreational cannabis market. As the majority owner of Leli, the Company will be responsible for the development of the project and product commercialization throughout the fully vertically integrated business model.

## 11 DEBT

	September 30, 2021	December 31, 2020
Term Loan - (“FCC Loan”) - repayable by monthly principle of payments of \$164 and accrued interest at a rate of 3.691%; matures April 1, 2025	\$ 27,214	\$ 28,690
Term Loan - VFCE: CA\$3.0M - non-revolving fixed rate loan with fixed interest rate of 4.98%; matures June 2023	595	797
Advance on term loan - VFCE: CA\$250 - repayable in monthly installments of principle plus interest rate of CA\$ prime rate plus 200 basis points - paid in full June 2021	—	69
Term Loan - Pure Sunfarms - CA\$19.0M - Canadian prime interest rate plus an applicable margin, repayable in quarterly payments equal to 2.50% of the outstanding principal amount, interest rate of 4.95%; matures February, 2024	12,177	13,385
Term loan - Pure Sunfarms - CA\$25.0 - Canadian prime interest rate plus an applicable margin, repayable in quarterly payments equal to 2.50% of the outstanding principal amount starting June 30, 2021, interest rate of 4.95%; matures February 2024	18,169	16,535
BDC Facility - Pure Sunfarms - non-revolving demand loan at prime interest plus 3.75%, matures December 31, 2031	4,910	4,905
Unamortized deferred financing fees	—	(302)
Total	<u>\$ 63,065</u>	<u>\$ 64,079</u>

The Company’s line of credit (“Operating Loan”) had no amount drawn on the facility as of September 30, 2021, while there was \$2,000 drawn as of December 31, 2020.

The carrying value of the assets and securities pledged as collateral for the FCC Loan as of September 30, 2021 and December 31, 2020 was \$223,788 and \$86,664, respectively.

The carrying value of the assets pledged as collateral for the Operating Loan as of September 30, 2021 and December 31, 2020 was \$28,414 and \$23,443, respectively.

The Company was in compliance with all of its credit facility covenants as of September 30, 2021.

On March 15, 2021, Pure Sunfarms entered into the Third Amended and Restated Credit Agreement (the “Third Amended and Restated PSF Credit Agreement”) with Farm Credit Canada and two Canadian chartered banks, which extended the maturity date of each of the PSF Revolving Line of Credit, PSF Non-Revolving Facility and the PSF Term Loan through February 7, 2024, included an unlimited guarantee from Village Farms and changed certain financial covenants. The Third Amended and Restated PSF Credit Agreement amended and updated the previous three loan facilities. The PSF Revolving Line of Credit had no balance as of September 30, 2021 and December 31, 2020, respectively.

The weighted average annual interest rate on short-term borrowings as of September 30, 2021 and December 31, 2020 was 5.30% and 5.11%, respectively.



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Accrued interest payable on the Credit Facilities and loans as of September 30, 2021 and December 31, 2020 was \$34 and \$189, respectively, and these amounts are included in accrued liabilities in the Condensed Interim Statements of Financial Position.

The aggregate annual maturities of long-term debt for the remainder of 2021 and thereafter are as follows:

Remainder of 2021	\$ 1,920
2022	7,884
2023	7,534
2024	26,052
2025	22,278
Thereafter	3,491
Total	<u>\$ 69,159</u>

## 12 FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and cash equivalents, trade receivables, note receivables, minority investments, trade payables, accrued liabilities, lease liabilities, note payables and debt. The carrying value of cash and cash equivalents, trade receivables, trade payables, and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of lease liabilities, notes payable, and debt approximate their fair values due to insignificant changes in credit risk. For its minority investments, the Company has elected the practicability election to fair value measurement, under which the investment is measured at cost, less impairment, plus or minus observable price changes of an identical or similar investment.

## 13 RELATED PARTY TRANSACTIONS AND BALANCES

On March 25, 2019, the Company entered into a Grid Loan Agreement (the "Grid Loan") with VF Hemp. The Grid Loan has a maturity date of March 25, 2022 and bears simple interest at the rate of 8% per annum, calculated monthly. As of September 30, 2021 and December 31, 2020, the Grid Loan balance was \$3,385 and \$3,545, respectively.

One of the Company's employees is related to a member of the Company's executive management team and received approximately \$96 and \$84 in salary and benefits during the nine months ended September 30, 2021 and 2020, respectively.

During 2020, the Company advanced a loan of \$249 to an employee in connection with a relocation at the request of the Company. During the nine months ended September 30, 2021, the employee repaid \$124 of the outstanding loan balance. On July 7, 2021, the Company forgave the remaining balance.

## 14 INCOME TAXES

A provision for income taxes is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rate used for the nine months ended September 30, 2021 and September 30, 2020 was 22% and 24%, respectively.

For the three months ended September 30, 2021 and 2020, there was a provision of income taxes of \$1,077 and \$336, respectively. There was a recovery of income taxes of \$2,543 and 607 for the nine months ended September 30, 2021 and 2020, respectively.

## 15 SEGMENT AND GEOGRAPHIC INFORMATION

Segment reporting is prepared on the same basis that the Company's Chief Executive Officer, who is the Company's Chief Operating Decision Maker, manages the business, makes operating decisions and assesses performance. Management has determined that the Company operates in four segments. The Company's four segments include Produce, Cannabis-Canada, Cannabis-U.S. and Energy. The Produce segment produces, markets and sells premium quality tomatoes, bell peppers and cucumbers. The Cannabis-Canada segment produces and supplies cannabis products to be sold to other licensed providers and provincial governments across Canada and internationally. The Cannabis-U.S segment develops and sells high-quality, CBD-based health and wellness products including ingestible, edible and topical applications. The Energy business produces power that it sells pursuant to a long-term contract to its one customer.

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The Company's primary operations are in the United States and Canada. Segment information is summarized below:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>Sales</b>				
Produce	\$ 41,035	\$ 42,939	\$ 121,441	\$ 122,356
Cannabis - Canada	27,393	—	69,614	—
Cannabis - United States	3,838	—	3,838	—
Energy	176	98	319	366
	<u>\$ 72,442</u>	<u>\$ 43,037</u>	<u>\$ 195,212</u>	<u>\$ 122,722</u>
<b>Gross margin</b>				
Produce	\$ 2,052	\$ 5,828	\$ (1,045)	\$ 10,494
Cannabis - Canada	13,149	—	25,181	—
Cannabis - United States	2,607	—	2,607	—
Energy	(59)	(209)	(1,422)	(581)
	<u>\$ 17,749</u>	<u>\$ 5,619</u>	<u>\$ 25,321</u>	<u>\$ 9,913</u>

## 16 INCOME (LOSS) PER SHARE

Basic and diluted net income (loss) per common share is calculated as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>Numerator:</b>				
Net income (loss)	<u>\$ 745</u>	<u>\$ 520</u>	<u>\$ (11,154)</u>	<u>\$ 4,591</u>
<b>Denominator:</b>				
Weighted average number of common shares - basic	84,823	58,536	80,671	55,946
Effect of dilutive securities- share-based employee options and awards	2,087	1,904	—	1,832
Weighted average number of common shares - diluted	<u>86,910</u>	<u>60,440</u>	<u>80,671</u>	<u>57,778</u>
Antidilutive options and awards	999	865	389	865
<b>Net income (loss) per ordinary share:</b>				
Basic	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ (0.14)</u>	<u>\$ 0.08</u>
Diluted	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ (0.14)</u>	<u>\$ 0.08</u>

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## 17 SHAREHOLDERS' EQUITY AND SHARE-BASED COMPENSATION

On August 16, 2021, the Company acquired Balanced Health. Under the terms of the Acquisition Agreement, 4,707,113 common shares of the Company were issued to the owners of Balanced Health as part of the consideration.

On May 21, 2021, the Company announced that the Toronto Stock Exchange ("TSX") had accepted a notice filed by the Company of its intention to make a normal course issuer bid ("NCIB").

The NCIB notice provides that Village Farms may, during the 12-month period commencing May 26, 2021 and terminating May 25, 2022, purchase up to 4,062,309 of its common shares, representing approximately 5% of the Company's issued and outstanding common shares, by way of a NCIB over the facilities of the TSX, the NASDAQ Stock Market and/or through alternative trading systems in Canada and the United States. For the nine months ended September 30, 2021, the Company had re-purchased 536,052 common shares for a total cost \$5,000.

On January 20, 2021, the Company closed a registered direct offering with certain institutional investors for the purchase and sale of an aggregate of 10,887,097 common shares at a purchase price of \$12.40 per common share for gross proceeds of approximately \$135 million before placement agent fees and other offering expenses.

On September 10, 2020, the Company sold 9,396,226 units through a registered direct offering. Each unit that was sold consisted of one common share of the Company and one-half (0.5) of a warrant to purchase a common share of the Company at a price of \$5.80. On March 10, 2021, the warrants became exercisable and will expire on September 10, 2025. As of September 30, 2021, 3,188,680 of the warrants have been exercised.

Share-based compensation expense for the three and nine months ended September 30, 2021 was \$1,820 and \$5,705, respectively, and \$472 and \$1,329 for the three and nine months ended September 30, 2020, respectively.

Stock option activity for the nine months ended September 30, 2021 was as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at January 1, 2021	3,067,322	C\$ 6.91	6.82	\$ 20,051
Granted	220,300	C\$ 12.17	9.49	\$ —
Exercised	(177,000)	C\$ 1.34	1.14	\$ —
Outstanding at September 30, 2021	<u>3,110,622</u>	C\$ 7.60	6.36	\$ 13,035
Exercisable at September 30, 2021	<u>2,069,329</u>	C\$ 6.19	5.16	\$ 11,305

Performance-based shares activity for the nine months ended September 30, 2021 was as follows:

	Number of Performance-based Restricted Share Units	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2021	869,000	C\$ 7.51
Received	(370,000)	C\$ 6.94
Outstanding at September 30, 2021	<u>499,000</u>	C\$ 7.93
Exercisable at September 30, 2021	<u>114,000</u>	C\$ 7.97

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**18 COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Company and its subsidiaries may become defendants in certain employment claims and other litigation. The Company records a liability when it is probable that a loss has been incurred and the amount can be reasonably estimated. The Company is not involved in any legal proceedings other than routine litigation arising in the normal course of business, none of which the Company believes will have a material adverse effect on the Company's business, financial condition or results of the operations.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated interim financial statements and related notes included in Item 1 of Part I of this Quarterly Report and the Management's Discussion and Analysis of Financial Condition and Results of Operations and consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020. This discussion and analysis contain forward-looking statements about our plans and expectations of what may happen in the future. Forward-looking statements are based on assumptions and estimates that are inherently subject to significant risks and uncertainties, and our actual results could differ materially from the results anticipated by our forward-looking statements, particularly in light of the ongoing and developing COVID-19 pandemic. We encourage you to review the risks and uncertainties described in "Risk Factors" in Part I, Item 1A in the Annual Report on Form 10-K for the year ended December 31, 2020, as updated by "Risk Factors" in Part II, Item 1A of this Quarterly Report. These risks and uncertainties could cause actual results to differ materially from those projected or implied by our forward-looking statements contained in this report. These forward-looking statements are made as of the date of this management's discussion and analysis, and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by law. See "Forward-Looking Statements".*

### EXECUTIVE OVERVIEW

Village Farms International, Inc. ("VFF"), (together with its subsidiaries, the "Company", "Village Farms", "we", "us", or "our") is one of the largest and longest-operating vertically integrated greenhouse growers in North America. Following our acquisition of the remaining 41.3% interest in British Columbia-based Pure Sunfarms Corp. ("Pure Sunfarms" or "PSF") that was completed on November 2, 2020 (the "Pure Sunfarms Acquisition"), we wholly own one of the single largest cannabis growing operations in the world which is one of the lowest-cost greenhouse producers and one of the best-selling brands in Canada. Pure Sunfarms leverages our 30 years of experience as a vertically integrated greenhouse grower for the rapidly developing cannabis opportunity in Canada with commercial distribution in five Canadian provinces: British Columbia, Ontario, Alberta, Saskatchewan, and Manitoba. Our long-term objective for Pure Sunfarms is to be the leading low-cost, high-quality cannabis producer in Canada.

In our greenhouse operations, we produce and distribute fresh, premium-quality produce with consistency 365 days a year from more than eight million square feet of Controlled Environment Agriculture ("CEA") greenhouses in British Columbia ("B.C.") and Texas, as well as from our partner greenhouses in B.C., Ontario, and Mexico. The Company primarily markets and distributes under its Village Farms® brand name and proprietary produce trademarks to retail supermarkets and dedicated fresh food distribution companies throughout the United States and Canada.

On August 16, 2021, the Company acquired 100% interest in privately held Colorado-based Balanced Health Botanicals, LLC ("Balanced Health" or "BHB"). Balanced Health owns and operates one of the leading brands in the hemp-derived cannabinoid market in the United States, providing Village Farms with immediate entry into the U.S. cannabidiol ("CBD") market in a consumer products category adjacent to the high-THC cannabis market, as well as the broader consumer packaged goods wellness arena. BHB has established a diverse portfolio of CBD and other cannabinoid products, including ingestible, edible and topical applications that are distributed through brick-and-mortar retail channels as well as its top-ranked e-commerce platform, CBDistillery™ (www.theCBDistillery.com).

The Company, through its subsidiary VF Clean Energy, Inc. ("VFCE"), owns and operates a 7.0-megawatt power plant from landfill gas that generates electricity and provides thermal heat to one of the Company's adjacent B.C. greenhouse facilities and sells electricity to British Columbia Hydro and Power Authority ("BC Hydro"). On November 10, 2020, we announced that we will be transitioning this operation to a renewable natural gas facility ("Delta RNG Project") in conjunction with Mas Energy, LLC ("Mas Energy") which is expected to enhance our financial return as well as provide food-grade CO<sub>2</sub>, which can be used in both our cannabis and produce growing operations in Delta, B.C.

The Company entered the U.S. hemp business in the spring of 2019 after the passing of the 2018 Farm Bill. We established a joint venture with a 65% interest in Village Fields Hemp USA, LLC ("VFH") for multi-state outdoor hemp cultivation and cannabidiol extraction.

Internationally, we evaluate, and target select, nascent, legal cannabis and CBD opportunities with significant long-term potential. This has resulted in a minority investment in Australia-based Altum International Pty Ltd ("Altum") and Village Farms also entered into an option agreement on September 28, 2021 to receive the irrevocable right to acquire an 80% ownership interest in Netherlands-based Leli Holland B.V., as described in additional detail in "Recent Developments - International" below.

We are in various stages of negotiations and due diligence in respect to potential opportunities in the developing cannabis industry. There can be no assurance that these negotiations will result in the completion of any such acquisitions or, if they do, what the final terms or timing of any such acquisitions would be.

## **Our Response to the Ongoing Coronavirus Pandemic**

In March 2020, the World Health Organization declared the outbreak of the COVID-19 virus a global pandemic. This outbreak continues to cause major disruptions to businesses and markets worldwide as the virus continues to spread. A number of countries as well as certain states and cities within the United States and Canada have enacted temporary closures of businesses, issued quarantine or shelter-in-place orders, and taken other restrictive measures in response to COVID-19. To date, all of our operations are operating normally and abiding by applicable restrictions, however, the extent to which COVID-19 and the related global economic crisis affect our business, results of operations and financial condition, will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and any recovery period, future actions taken by governmental authorities, central banks and other third parties (including new financial regulation and other regulatory reform) in response to the pandemic, and the effects on our produce, clients, vendors and employees. We continue to service our customers amid uncertainty and disruption linked to COVID-19 and we are actively managing our business to respond to the impact.

## **Recent Developments**

### *Acquisition of Balanced Health Botanicals, LLC*

On August 16, 2021, the Company acquired 100% of privately held Colorado-based Balanced Health Botanicals, LLC with a purchase price of \$75 million, satisfied through \$30 million in cash and 4,707,113 Common Shares of the Company, which were equal to \$45 million based on the volume weighted average trading price on The Nasdaq Stock Market LLC for the ten trading days ending the day prior to the closing date of the acquisition. Balanced Health is one of the leading cannabinoid brands and e-commerce platforms in the United States. BHB develops and sells high-quality CBD-based health and wellness products, distributing their diverse portfolio of consumer products through retail storefronts and its top-ranked e-commerce platform, CBDistillery™. Through its strong, long-term partnerships, we believe that Balanced Health is uniquely positioned to control the entire process from seed-to-shelf, ensuring seamless sourcing, manufacturing and sale of their affordable, high-quality family of cannabinoid brands to target the diverse health and wellness needs and preferences of their consumers.

### *Pure Sunfarms*

Pure Sunfarms' recent developments include the following:

- On September 29, 2021, Pure Sunfarms completed its first export shipment of high-quality cannabis to Village Farms' minority interest investee, Altum, for the Australian medicinal cannabis market. The shipment is the first international export shipment for Pure Sunfarms and its first shipment to Australia under a three-year supply agreement with Altum.
- On September 28, 2021, Pure Sunfarms announced an agreement with Langara College to support the Applied Science for the Canadian Cannabis Industry, which will provide opportunities to study cannabis using the latest technology, facilitate innovation, spearhead product development and create valuable career research opportunities for Langara professors and students.
- On June 30, 2021, Pure Sunfarms received from Health Canada an amendment to the cultivation license for its 1.1 million square foot Delta 2 greenhouse facility, permitting Pure Sunfarms to cultivate cannabis in the west half of the facility which has completed conversion. In the west half of the facility, Pure Sunfarms has planted four flower rooms with an additional three flower rooms expected to be planted in November 2021. The first harvest is anticipated for early December 2021. Construction on the east half of the facility should be completed by the end of 2021 with full production expected to commence in 2022.

### *Village Farms Clean Energy*

The Delta RNG Project consists of a partnership with Mas Energy to convert the current landfill gas to electricity business into a state-of-the-art landfill gas to high-demand renewable natural gas facility, which was entered in November 2020 by VFCE. Mas Energy will design, build, finance, own and operate the Delta RNG Project. VFCE renewed and extended the existing contract with the City of Vancouver to capture the landfill gas at its Delta, B.C. site securing future resources for the Delta RNG Project. The 20-year extension, with an option for an additional five-year extension period, commences upon the start-up of the commercial operations of the Delta RNG Project.

When announced in November 2020, we anticipated attaining all regulatory approvals in the first half of 2021 with an expected operational start up as early as the first half of 2022. However, COVID-19 continues to adversely impact the bureaucratic processes in Canada surrounding permitting and zoning requirements necessary to break ground on the Delta RNG Project. We now anticipate attaining all regulatory approvals in early 2022 with an expected operational start up in 2023. The project was designed to

capture the CO<sub>2</sub> from the renewable natural gas production process for use in our three Delta, B.C. vegetable and cannabis greenhouse facilities, thereby reducing natural gas requirements and decreasing the total carbon footprint of Village Farms.

#### *International*

On September 28, 2021, Village Farms entered into an option agreement whereby the Company received the irrevocable right to acquire an 80% ownership interest (the “Option Agreement”) in Netherlands-based Leli Holland B.V. (“Leli”) upon payment of EUR50,000 (the “Option”). The Option Agreement allows Village Farms to acquire 80% of Leli’s shares for EUR3,950,000, of which EUR950,000 is due and payable to Leli’s shareholders upon the exercise of the Option and the remainder due in three equal installments subject to the achievement of certain project development milestones. The Option is exercisable at the sole discretion of Village Farms during the Option exercise period ending September 30, 2026.

Leli is one of ten applicants selected to receive a license (subject to customary government approval) to legally cultivate and distribute cannabis to retailers when the Dutch government implements its Experiment to Investigate Closed Cannabis Supply Chains (“Dutch Supply Chain Experiment”). The Dutch Supply Chain Experiment is specified by the Dutch government to be approximately 65,000 kilograms of dried flower annually from the ten approved producers during the first year. Leli and Village Farms plan to construct two indoor CEA production facilities, leveraging Leli’s track record managing complex regulatory and approval procedures in the Netherlands at both the federal and local levels and Village Farms’ three-plus decades as a vertically integrated CEA grower, as well as its extensive experience in cultivation, product development and commercialization in the Canadian legal recreational cannabis market. As the majority owner of Leli, Village Farms will be responsible for the development of the project and product commercialization throughout the fully vertically integrated business model.

#### *Village Farms files Universal Registration Statement*

Village Farms filed a universal shelf registration statement on Form S-3 (“New Registration Statement”) with the United States Securities and Exchange Commission (“SEC”) on July 12, 2021. The New Registration Statement is for an unlimited number of securities that may be offered from time to time in the future, replacing the shelf registration statement on Form S-3 filed with the SEC on April 22, 2020. The New Registration Statement will provide Village Farms flexibility to issue securities in one or more future offerings, including when needed to pursue strategic opportunities.

#### *Normal Course Issuer Bid for Common Shares*

On May 26, 2021, the Toronto Stock Exchange accepted a notice of normal course issuer bid filed by the Company. Village Farms may purchase up to 4,062,309 of its Common Shares commencing May 26, 2021 and terminating May 25, 2022. As of September 30, 2021, the Company had purchased 536,052 Common Shares with an average price of \$9.3275 per Common Share and a gross value of \$5,000.

#### *Exercise of Warrants*

As of September 30, 2021, warrants issued as part of the September 2020 registered direct offering were exercised and resulted in proceeds to the Company of \$18,494 and the issuance of 3,188,680 additional Common Shares. There are 1,509,433 remaining warrants from the September 2020 registered direct offering as of November 5, 2021.

### **Presentation of Financial Results**

Our consolidated results of operations for the three and nine months ended September 30, 2021 and 2020 presented below reflect the operations of our consolidated wholly owned subsidiaries. Due to the acquisition of the remaining 41.3% interest in Pure Sunfarms, on November 2, 2020, the equity earnings from Pure Sunfarms are reflected in our net income for the three and nine months ended September 30, 2020. However, for the three and nine months ended September 30, 2021, the results of Pure Sunfarms are presented in the operations of our consolidated wholly owned subsidiaries. Due to the acquisition of Balanced Health on August 16, 2021, the results of Balanced Health from August 16, 2021 to September 30, 2021 are presented in the operations of our wholly owned subsidiaries for the three and nine months ended September 30, 2021. For information regarding the results of operations that include joint ventures activity of VFH and Pure Sunfarms, see “Reconciliation of U.S. Generally Accepted Accounting Practices (“GAAP”) Results to Proportionate Results” below.

## RESULTS OF OPERATIONS

(In thousands of U.S. dollars, except per share amounts, and unless otherwise noted)

### Consolidated Financial Performance

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021 <sup>(1)</sup>	2020 <sup>(1)</sup>	2021 <sup>(1)</sup>	2020 <sup>(1)</sup>
Sales	\$ 72,442	\$ 43,037	\$ 195,212	\$ 122,722
Cost of sales	(54,693)	(37,418)	(169,891)	(112,809)
Gross margin	17,749	5,619	25,321	9,913
Selling, general and administrative expenses	(13,132)	(4,942)	(30,249)	(12,676)
Share-based compensation	(1,820)	(472)	(5,705)	(1,329)
Interest expense	(620)	(299)	(1,959)	(1,273)
Interest income	50	101	99	577
Foreign exchange loss	(324)	(484)	(635)	(880)
Gain on settlement agreement	—	—	—	4,681
Other (expense) income	(119)	27	(354)	92
Loss on disposal of assets	—	—	(40)	(6)
(Provision for) recovery of income taxes	(1,077)	(336)	2,543	607
Income (loss) from consolidated entities after income taxes	707	(786)	(10,979)	(294)
Equity earnings (losses) from unconsolidated entities	38	1,306	(175)	4,885
Net income (loss)	\$ 745	\$ 520	\$ (11,154)	\$ 4,591
Adjusted EBITDA <sup>(2)</sup>	\$ 6,785	\$ 4,556	\$ 8,736	\$ 7,921
Earnings (loss) per share - basic	\$ 0.01	\$ 0.01	\$ (0.14)	\$ 0.08
Earnings (loss) per share - basic	\$ 0.01	\$ 0.01	\$ (0.14)	\$ 0.08
Net income (loss)	\$ 745	\$ 520	\$ (11,154)	\$ 4,591
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(3,869)	31	208	(41)
Comprehensive (loss) income	\$ (3,124)	\$ 551	\$ (10,946)	\$ 4,550

(1) For the three and nine months ended September 30, 2021, Pure Sunfarms is fully consolidated in the financial results of the Company. For the three and nine months ended September 30, 2020, Village Farms' proportionate share of Pure Sunfarms earnings are reflected in equity (losses) earnings of unconsolidated entities. For the three and nine months ended September 30, 2021, Balanced Health's financial results of August 16, 2021 to September 30, 2021 are fully consolidated in the financial results of the Company.

(2) Adjusted EBITDA is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See "Non-GAAP Measures" for a definition and reconciliation of Adjusted EBITDA to net (loss) income, the nearest comparable measurement under GAAP. Management believes that Adjusted EBITDA is a useful supplemental measure in evaluating the performance of the Company. Adjusted EBITDA includes the Company's majority non-controlling interest in Pure Sunfarms (through November 1, 2020), and 65% interest in VFH.

We caution that our results of operations for the three and nine months ended September 30, 2021 and 2020 may not be indicative of our future performance, particularly in light of the ongoing COVID-19 pandemic. We are currently unable to assess the ultimate impact of the COVID-19 pandemic on our business and our results of operations for future periods.

### Discussion of Financial Results

A discussion of our consolidated results for the three and nine months ended September 30, 2021 and 2020 is included below. The consolidated results include all four of our operating segments, which include produce, cannabis-Canada, cannabis-U.S. and clean energy, along with all public company expenses. The remaining 41.3% interest in Pure Sunfarms was acquired by Village Farms on November 2, 2020; for the three and nine months ended September 30, 2021, the operating results of Pure Sunfarms are consolidated in our Consolidated Statements of Income (Loss), and for the three and nine months ended September 30, 2020, Pure Sunfarms' results are included in equity earnings from unconsolidated entities in our Consolidated Statements of Income (Loss). Village Farms acquired 100% interest of Balanced Health on August 16, 2021 and as such, its results from August 16, 2021 to September 30, 2021 are consolidated in our Consolidated Statements of Income (Loss) for the three and nine months ended September 30, 2021 and their results are immediately accretive to the Company's operations.

Under "Cannabis Segment Results - Canada", we also present a discussion of the operating results of Pure Sunfarms, before any allocation to Village Farms, which were not consolidated in our financial results for the three and nine months ended September 30, 2020 but were consolidated in our results for the three and nine months ended September 30, 2021. As a result of the Pure Sunfarms Acquisition, Pure Sunfarms recognized an increase in the fair value of its inventory on-hand on the acquisition date,



resulting in a \$1,217 reduction to cost of sales in the third quarter of 2021 and a (\$1,841) charge to cost of sales for the nine months ended September 30, 2021 from the revaluation of its inventory to fair value. This is a non-cash accounting charge to cost of sales and should be adjusted for when analyzing the actual operational results of Pure Sunfarms.

Under “Cannabis Segment Results – U.S.”, we present a discussion of the operating results of Balanced Health for the period of August 16, 2021 to September 30, 2021, which were consolidated in the Company’s financial results in the three and nine months ended September 30, 2021.

## **CONSOLIDATED RESULTS**

### ***Three Months Ended September 30, 2021 Compared to Three Months Ended September 30, 2020***

#### **Sales**

Sales for the three months ended September 30, 2021 were \$72,442 as compared to \$43,037 for the three months ended September 30, 2020. The increase in sales was primarily due to the inclusion of the Canadian cannabis Q3 2021 revenues of \$27,393, the addition of U.S. cannabis Q3 2021 post-acquisition revenues of \$3,838 and an increase in produce grower partner sales of \$4,189, which were partially offset by a decrease in our own produce sales of (\$5,970). The produce grower partner sales increase was due to higher volumes of pounds sold of tomatoes, peppers, cucumbers and mini-cucumbers. The decrease in our own produce sales was due to a (17%) decrease in the average selling price of tomatoes in the three months ended September 30, 2021 versus September 30, 2020 along with a (10%) decrease in our own production volume. The price decrease is the result of a market supply overage from an increase in Canadian and U.S. tomato production, primarily affecting the commodity prices of beefsteak and tomato-on-the-vine varieties. The decrease in our own production volume was due to effects of the tomato viruses on our crops and the corresponding greenhouse clean-out efforts at all Texas facilities in an attempt to eradicate the tomato viruses prior to planting the next crop cycle.

#### **Cost of Sales**

Cost of sales for the three months ended September 30, 2021 were \$54,693 as compared to \$37,418 for the three months ended September 30, 2020. The increase in cost of sales was primarily due to the addition of Canadian cannabis Q3 2021 cost of sales of \$14,244, the inclusion of U.S. cannabis Q3 2021 post-acquisition cost of sales of \$1,231 and higher produce grower partner costs of \$3,844, which were partially offset by a reduction in our produce costs of (\$1,851). The Q3 2021 cost of sales for Pure Sunfarms includes a \$1,217 reduction in cost of sales from the revaluation of its inventory to fair value at acquisition date. The increase in produce grower partner cost of sales was driven by higher volumes of pounds sold. The decrease in our produce costs was primarily due to the (10%) decrease in production volume.

#### **Gross Margin**

Gross margin for the three months ended September 30, 2021 increased \$12,130 or 216% to \$17,749, or a 25% gross margin, in comparison to \$5,619, or a 13% gross margin, for the three months ended September 30, 2020. The positive variance between periods is primarily attributable to Canadian cannabis Q3 2021 gross margin of \$13,149, U.S. cannabis Q3 2021 post-acquisition gross margin of \$2,607 and higher produce grower partner gross margin of \$345, which were partially offset by lower gross margin from our produce assets of (\$4,119).

#### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses for the three months ended September 30, 2021 increased \$8,190 or 166% to \$13,132 compared to \$4,942 for the three months ended September 30, 2020. The increase in selling, general and administrative expenses was primarily due to the inclusion of Canadian cannabis Q3 2021 expenses of \$5,324, U.S. cannabis Q3 2021 post-acquisition expenses of \$2,062 and an increase in corporate expenses, primarily related to public company costs such as legal and regulatory fees and incremental costs of U.S. reporting compliance along with the transaction and legal expenses associated with the acquisition of Balanced Health.

#### **Share-Based Compensation**

Share-based compensation expenses for the three months ended September 30, 2021 were \$1,820 as compared to \$472 for the three months ended September 30, 2020. The increase in share-based compensation was primarily due to the vesting of performance shares earned by key corporate and operational employees in Q3 2021 as compared to Q3 2020 and the cost of stock options for Canadian and U.S. cannabis management of \$249 in Q3 2021 versus nil in Q3 2020.

#### **Provision for Income Taxes**

Provision for income taxes for the three months ended September 30, 2021 was \$1,077 compared to \$336 for the three months ended September 30, 2020. For the three months ended September 30, 2021 and 2020, our effective tax rate, including both

current and deferred income taxes, was 60.2% and (74.7%), respectively. The equity losses for our unconsolidated entity, VFH, is reported post-tax and therefore does not affect our tax calculation.

### **Equity Earnings from Unconsolidated Entities**

Our share of earnings from our joint ventures for the three months ended September 30, 2021 was \$38 compared to earnings of \$1,306 for the three months ended September 30, 2020. The Q3 2021 equity earnings include only our proportionate share of the earnings of VFH compared to Q3 2020 which includes our proportionate share of the earnings of Pure Sunfarms and VFH. After completion of the Pure Sunfarms Acquisition on November 2, 2020, Village Farms began fully consolidating operating results of Pure Sunfarms and its results are presented in the Company's consolidated operating results for the three months ended September 30, 2021. For information regarding the results of operations from our joint ventures, see "Reconciliation of U.S. GAAP Results to Proportionate Results" below.

### **Net Income**

Net income for the three months ended September 30, 2021 was \$745 as compared to \$520 for the three months ended September 30, 2020. The 43% increase in net income was primarily due to an improved operating profit for the Canadian cannabis segment and the addition of the U.S. cannabis segment's operating profit in the three months ended September 30, 2021 as compared to September 30, 2020.

### **Adjusted EBITDA**

Adjusted EBITDA for the three months ended September 30, 2021 was \$6,785 compared to \$4,556 for the three months ended September 30, 2020. The 49% increase in adjusted EBITDA was primarily due to improved operating results of the cannabis business which includes the addition of the U.S. cannabis segment's positive operating results, partially offset by the lower operating profit of the produce business and an increase in corporate expenses. See the reconciliation of Adjusted EBITDA to net income in "Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA".

### **Foreign Currency Translation Adjustment**

The foreign currency translation adjustment for the three months ended September 30, 2021 was (\$3,869) compared to \$31 for the three months ended September 30, 2020. Village Farms' functional currency is the U.S. dollar while Pure Sunfarms' functional currency is the Canadian dollar. The Q3 2021 currency translation adjustment is due to the Canadian dollar weakening versus the U.S. dollar during the third quarter of 2021, as Pure Sunfarms has more Canadian dollar assets than Canadian dollar liabilities on its balance sheet, resulting in a loss on its functional currency when converted on its balance sheet to U.S. dollars.

### ***Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020***

#### **Sales**

Sales for the nine months ended September 30, 2021 were \$195,212 as compared to \$122,722 for the nine months ended September 30, 2020. The 59% increase in sales was primarily due to the inclusion of 2021 Canadian cannabis revenues of \$69,614, the addition of 2021 U.S. cannabis post-acquisition revenues of \$3,838 and an increase in produce grower partner sales of \$10,194, which were partially offset by a decrease in our own produce sales of (\$10,879). The produce grower partner sales increase was due to higher volumes of pounds sold of tomatoes, peppers, cucumbers and mini-cucumbers, partially offset by lower price per pound for tomatoes and peppers. The decrease in our own produce sales was due to a (26%) decrease in the average selling price of tomatoes in the nine months ended September 30, 2021 versus September 30, 2020, partially offset by an 11% increase in our own production volume despite the ongoing virus pressure, primarily from the tomato brown rugose fruit virus at our Texas facilities. The tomato price decrease is the result of a supply overage caused by an increase in Canadian winter production and a change in retailer buying habits to more specialty tomatoes along with a general reduction of retail purchases. The tomato produce industry experienced one of the lowest pricing environments for tomatoes-on-the-vine and beefsteak varieties in the past ten years through late Q2 2021 with improved pricing momentum towards the end of Q2 2021 and into Q3 2021.

#### **Cost of Sales**

Cost of sales for the nine months ended September 30, 2021 were \$169,891 as compared to \$112,809 for the nine months ended September 30, 2020. The increase in cost of sales was primarily due to the addition of 2021 Canadian cannabis cost of sales of \$44,433, the inclusion of 2021 U.S. cannabis cost of sales since acquisition of \$1,231, higher produce grower partner costs of \$8,444, an increase in our produce costs of \$2,293 and higher clean energy costs of \$681. The cost of sales for the first nine months of 2021 for Pure Sunfarms includes an (\$1,841) charge from the revaluation of its inventory to fair value at acquisition date. Also, our produce cost of sales for the first nine months of 2021 includes incremental utility charges of (\$1,400) associated with the Texas freeze of February 2021. The increase in our own produce production costs was driven by the 11% increase in production volume in the first nine months of 2021 versus the first nine months of 2020. The increase in produce grower partner cost of sales was driven by higher volumes of pounds sold and the increase in clean energy costs were driven by higher depreciation charges as the depreciable life of VFCE assets have been accelerated due to the upcoming transition of operations to the Delta RNG Project.

## **Gross Margin**

Gross margin for the nine months ended September 30, 2021 increased \$15,408 or 155% to \$25,321, or a 13% gross margin, in comparison to \$9,913, or an 8% gross margin, for the nine months ended September 30, 2020. Excluding the (\$1,841) charge from the revaluation of Pure Sunfarms' inventory to fair value at acquisition date and (\$1,400) from the incremental Texas freeze utility expenses, gross margin for the nine months ended September 30, 2021 increased \$18,649 or 188% to \$28,562, or a 15% gross margin. The positive variance between periods is primarily attributable to 2021 Canadian cannabis gross margin of \$25,181, 2021 U.S. cannabis post-acquisition gross margin of \$2,607 and higher produce grower partner gross margin of \$1,750, which were partially offset by lower gross margin from our produce operations of (\$13,172) and clean energy of (\$958).

## **Selling, General and Administrative Expenses**

Selling, general and administrative expenses for the nine months ended September 30, 2021 increased \$17,573 or 139% to \$30,249 compared to \$12,676 for the nine months ended September 30, 2020. The increase was primarily due to the inclusion of 2021 Canadian cannabis expenses of \$13,660, the addition of 2021 U.S. cannabis post-acquisition expenses of \$2,062, higher produce related legal fees and an increase in corporate expenses, primarily related to public company costs such as investor relations, legal and regulatory fees, listing fees for the Toronto Stock Exchange ("TSX"), the January 2021 equity raise, the incremental costs of U.S. reporting compliance along with the transaction and legal expenses associated with the acquisition of Balanced Health.

## **Share-Based Compensation**

Share-based compensation expenses for the nine months ended September 30, 2021 were \$5,705 as compared to \$1,329 for the nine months ended September 30, 2020. The increase in share-based compensation was primarily due to the vesting of performance share grants and stock options for Canadian and U.S. cannabis management of \$1,534 in 2021 versus nil in 2020 as well as the vesting of performance shares earned by corporate and produce operations employees in 2021 as compared to 2020.

## **Gain on Settlement Agreement**

On March 2, 2020, pursuant to the settlement agreement between the Company, Pure Sunfarms and Emerald ("Settlement Agreement"), Emerald transferred to the Company 2.5% of additional equity in Pure Sunfarms. The Company determined the fair value of the equity received from Emerald to be \$4,681. The Company recorded this amount as a gain on non-monetary exchange on the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) for the nine months ended September 30, 2020.

## **Recovery of Income Taxes**

Income taxes for the nine months ended September 30, 2021 was a recovery of \$2,543 compared to a recovery of \$607 for the nine months ended September 30, 2020. For the nine months ended September 30, 2021 and 2020, our effective tax rate, including both current and deferred income taxes, was (18.8%) and (67.4%), respectively. The equity losses for our unconsolidated entity, VFH, is reported post-tax and therefore does not affect our tax calculation.

## **Equity (Losses) Earnings from Unconsolidated Entities**

Our share of (losses) from our joint ventures for the nine months ended September 30, 2021 was (\$175) compared to earnings of \$4,885 for the nine months ended September 30, 2020. The 2021 equity (loss) includes only our proportionate share of the losses of VFH compared to 2020 which includes Pure Sunfarms' earnings and VFH's losses. Our share of income from Pure Sunfarms was presented in equity earnings from unconsolidated entities for the nine months ended September 30, 2020. Village Farms began fully consolidating operating results of Pure Sunfarms on November 2, 2020 and its results are presented in the Company's consolidated operating results for the nine months ended September 30, 2021. For information regarding the results of operations from our joint ventures, see "Reconciliation of U.S. GAAP Results to Proportionate Results" below.

## **Net (Loss) Income**

Net loss for the nine months ended September 30, 2021 was (\$11,154) as compared to net income of \$4,591 for the nine months ended September 30, 2020. The decrease in net income in the nine months ended September 30, 2021 as compared to September 30, 2020 was primarily due to lower gross margin from the produce operations, higher corporate and share-based compensation expenses and accelerating the depreciable life of the clean energy assets due to the upcoming transition of operations to the Delta RNG Project.

## **Adjusted EBITDA**

Adjusted EBITDA for the nine months ended September 30, 2021 was \$8,736 compared to \$7,921 for the nine months ended September 30, 2020. The 10% increase in adjusted EBITDA was primarily due to the improvement in operating profit for the Canadian cannabis segment and post-acquisition inclusion of the U.S. cannabis segment, partially offset by the lower operating profit

of the produce business. See the reconciliation of Adjusted EBITDA to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA”.

## **CANNABIS SEGMENT RESULTS - CANADA**

The Canadian cannabis segment currently consists of Pure Sunfarms. Pure Sunfarms’ comparative analysis are based on the consolidated results of Pure Sunfarms for the three and nine months ended September 30, 2021 and September 30, 2020, not accounting for the percentage owned by Village Farms. See “Reconciliation of U.S. GAAP Results to Proportionate Results” for a presentation of the cannabis segment’s proportionate results for the three and nine months ended September 30, 2021 and September 30, 2020.

### ***Three Months Ended September 30, 2021 Compared to Three Months Ended June 30, 2021***

#### **Sales**

Canadian cannabis net sales for the three months ended September 30, 2021 were \$27,393 as compared to \$24,761 for the three months ended June 30, 2021. The sequential net sales increase was comprised of a 1% increase in branded sales and a 48% increase in non-branded sales. For the three months ended September 30, 2021, 59% of revenue was generated from branded flower and pre-rolls and 7% of revenue from branded oils, edibles and vapes (“Cannabis Derivative Products”) as compared to 66% of revenue from branded flower and pre-rolls and 8% of revenue from Cannabis Derivative Products for the three months ended June 30, 2021. For the three months ended September 30, 2021, non-branded sales represented 34% of revenues compared to 26% for the three months ended June 30, 2021. The Canadian cannabis segment continues to experience strong demand for its branded flower amidst what continues to be a congested market. Increase in non-branded sales was largely attributable to the availability of high-potency flower and trim to meet demand from other licensed producers (“LPs”) in the wholesale market.

#### **Cost of Sales**

Canadian cannabis cost of sales for the three months ended September 30, 2021 was \$14,244 as compared to \$14,941 for the three months ended June 30, 2021. As a result of the Pure Sunfarms Acquisition, Pure Sunfarms recognized an increase in the fair value of its inventory on the acquisition date, resulting in a \$1,217 reduction to cost of sales in the third quarter of 2021 and a (\$133) charge to cost of sales in the second quarter of 2021 from the revaluation of its inventory to fair value. This is a non-cash accounting charge to cost of sales and should be adjusted for when analyzing the actual operational results of the Canadian cannabis segment. The decrease in cost of sales between the periods was driven by the lower charge from the revaluation of inventory to fair value at acquisition date. In addition, cost of sales (excluding the non-cash accounting charge) as a percentage of revenue decreased to 56% from 60% for the sequential quarter as our cost of production decreased due to increased yields in cultivation which has a downward impact on the cost per gram.

#### **Gross Margin**

Gross margin for the three months ended September 30, 2021 increased \$3,329 to \$13,149, or a 48% gross margin, in comparison to \$9,820, or a 40% gross margin, for the three months ended June 30, 2021. Excluding the Pure Sunfarms’ purchase price inventory adjustment of (\$1,217), gross margin for the three months ended September 30, 2021 increased \$1,979 to \$11,932, or a 44% gross margin, in comparison to \$9,953, or a 40% gross margin, excluding the Pure Sunfarms’ purchase price inventory adjustment of \$133 for the three months ended June 30, 2021. The increase in gross margin between sequential periods was attributable to an increase in gross margin for both branded and non-branded sales, due largely to an increase in yields which in turn lowers the cost of production, and availability of higher potency products which results in higher sales prices, both of which positively impact gross margin.

#### **Selling, General and Administrative Expenses**

Canadian cannabis selling, general and administrative expenses for the three months ended September 30, 2021 were \$5,324, or 19% of sales compared to \$4,370, or 18% of sales for the three months ended June 30, 2021. The increase in selling, general and administrative expenses as a percentage of sales for the three months ended September 30, 2021 in comparison to the three months ended June 30, 2021 was due to an increase in brand and commercial activities such as media and trade spend as well as higher workforce and IT expenses to support the increase in point-of-purchase sales and market share growth, especially in flower.

#### **Share-Based Compensation**

Share-based compensation expenses for the three months ended September 30, 2021 were \$186 as compared to \$191 for the three months ended June 30, 2021. The decrease in share-based compensation is due to lower cost of performance shares granted to Canadian cannabis management between comparable quarters.

#### **Net Income**

Canadian cannabis net income for the three months ended September 30, 2021 was \$5,287 as compared to net income of \$3,221 for the three months ended June 30, 2021. The higher net income between periods was primarily driven by a higher gross

margin driven by an increase in non-branded sales while selling, general and administrative expenses remained relatively consistent as a percentage of revenue.

### **Adjusted EBITDA**

Adjusted EBITDA for the three months ended September 30, 2021 and June 30, 2021 was \$8,627 and \$7,369, respectively, representing an increase of 17%. The increase in Adjusted EBITDA was driven by growth of non-branded sales and an increase in gross margin in the three months ended September 30, 2021 as compared to the three months ended June 30, 2021.

### ***Three Months Ended September 30, 2021 Compared to Three Months Ended September 30, 2020***

#### **Sales**

Canadian cannabis net sales for the three months ended September 30, 2021 were \$27,393 as compared to \$17,048 for the three months ended September 30, 2020. The net sales increase was comprised of an 91% increase in branded sales and a 10% increase in non-branded sales. For the three months ended September 30, 2021, 59% of revenue was generated from branded flower and pre-rolls and 7% of revenue from Cannabis Derivative Products as compared to 48% of revenue from branded flower and pre-rolls and 5% of revenue from Cannabis Derivative Products, as Pure Sunfarms launched Cannabis Derivative Products in Q3 2020. The sales increase was due to the impact of store openings throughout Canada combined with increased production and availability of high-quality flower. Non-branded sales also benefited from store openings and the growth of the Cannabis Derivative Products in the broader market which in turn increased demand for cannabis biomass sold to other LPs. For the three months ended September 30, 2021, non-branded sales represented 34% of revenues compared to 47% for the three months ended September 30, 2020.

#### **Cost of Sales**

Canadian cannabis cost of sales for the three months ended September 30, 2021 was \$14,244 as compared to \$11,154 for the three months ended September 30, 2020. The Q3 2021 cost of sales for Pure Sunfarms includes a \$1,217 reduction in costs of sales from the revaluation of its inventory to fair value at acquisition date and the Q3 2020 cost of sales includes an inventory write down of (\$1,042) for distillate purchased from third party extraction companies for which the market value had decreased since initial purchase. The increase in cost of sales between periods was driven by an increase in net sales, including a higher volume of branded sales which require incremental costs for manufacturing, packaging and distribution. However, cost of sales as a percentage of revenue decreased between comparable periods due to increased production efficiencies in Q3 2021.

#### **Gross Margin**

Gross margin for the three months ended September 30, 2021 increased \$7,255 to \$13,149, or a 48% gross margin, in comparison to \$5,894, or a 35% gross margin, for the three months ended September 30, 2020. The Q3 2021 gross margin includes a Pure Sunfarms \$1,217 positive impact from the revaluation of its inventory to fair value at acquisition date and the Q3 2020 gross margin includes the negative impact of the (\$1,042) distillate inventory write down. The increase in gross margin between periods was primarily due to an increase in yields which has a downward impact on cost of sales along with production efficiencies which also positively impact gross margin.

#### **Selling, General and Administrative Expenses**

Canadian cannabis selling, general and administrative expenses for the three months ended September 30, 2021 were \$5,324 compared to \$2,447 for the three months ended September 30, 2020. The increase in selling, general and administrative expenses for the three months ended September 30, 2021 in comparison to the three months ended September 30, 2020 was primarily due to additional headcount to support the growth of the Canadian cannabis business.

#### **Share-Based Compensation**

Share-based compensation expenses for the three months ended September 30, 2021 were \$186 as compared to nil for the three months ended September 30, 2020. The increase in share-based compensation is due to the cost of stock options for Canadian cannabis management.

#### **Net Income**

Canadian cannabis net income for the three months ended September 30, 2021 was \$5,287 as compared to \$2,081 for the three months ended September 30, 2020. The higher net income between periods was driven by higher net sales, gross margin and operating profit.

## **Adjusted EBITDA**

Adjusted EBITDA for the three months ended September 30, 2021 and September 30, 2020 was \$8,627 and \$4,250, respectively, representing an increase of 103%. The increase in Adjusted EBITDA was driven by higher net sales and gross margin in the three months ended September 30, 2021 as compared to the three months ended September 30, 2020.

### ***Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020***

#### **Sales**

Canadian cannabis net sales for the nine months ended September 30, 2021 were \$69,614 as compared to \$39,571 for the nine months ended September 30, 2020. The \$30,043 change in net sales between periods consists of \$27,925 or a 130% increase in branded sales, \$3,166 or an 8% increase due to the currency exchange effect of the Canadian dollar strengthening versus the U.S. dollar and (\$1,048) or a (6%) decrease in non-branded sales. Branded sales for the nine months ended September 30, 2021 and 2020, were \$51,131 and \$21,487, respectively, an increase of \$29,644, or 138% between periods. For the nine months ended September 30, 2021, 64% of revenue was generated from branded flower and pre-rolls and 9% of revenue was generated from Cannabis Derivative Products as compared to 52% of revenue from branded flower and pre-rolls and 2% of revenue from Cannabis Derivative Products for the nine months ended September 30, 2020. The increase in branded sales was largely attributable to increased production of high-potency flower and trim along with revenues from Cannabis Derivative Products relative to the prior period. Additionally, many provinces began their re-opening plans as COVID-19 pressures subsided and capacity restrictions decreased, particularly in Ontario, which helped spur demand in Q2 and Q3 2021. Non-branded revenue for the nine months ended September 30, 2021 and 2020 was \$18,483 and \$18,084, respectively, an increase of \$399 or 2%. For the nine months ended September 30, 2021, non-branded sales represented 27% of revenues compared to 46% for the nine months ended September 30, 2020. The increase in non-branded sales was due to an 8% currency exchange effect as the Canadian dollar was stronger than the U.S. dollar for the nine months ended September 30, 2021 versus 2020, which was partially offset by a 6 % decrease in Canadian dollar non-branded sales, which is Pure Sunfarms' functional currency. The decrease in non-branded sales was attributable to certain large non-monetary transactions in 2020 where Pure Sunfarms exchanged biomass for oil used for its launch of Cannabis Derivative Products.

#### **Cost of Sales**

Canadian cannabis cost of sales for the nine months ended September 30, 2021 was \$44,433 as compared to \$23,704 for the nine months ended September 30, 2020. The 2021 cost of sales for Pure Sunfarms includes a (\$1,841) charge from the revaluation of inventory to fair value at acquisition date and the 2020 cost of sales includes an inventory write down of (\$1,042) for distillate purchased from third party extraction companies for which the market value had decreased since initial purchase. The increase in cost of sales between periods was driven by an increase in net sales, including the higher volume of branded sales which require incremental costs for manufacturing, packaging and distribution.

#### **Gross Margin**

Gross margin for the nine months ended September 30, 2021 increased \$9,314 or 59% to \$25,181, or a 36% gross margin, in comparison to \$15,867, or a 40% gross margin, for the nine months ended September 30, 2020. Excluding the Pure Sunfarms purchase price inventory adjustment of \$1,841, gross margin for the nine months ended September 30, 2021 increased \$11,155 to \$27,022, or a 39% gross margin. The increase in gross margin was driven by the increase in branded and non-branded sales. However, branded sales have a higher cost associated with packaging and distribution which led to a decrease in gross margin as a percentage of revenue between the periods.

#### **Selling, General and Administrative Expenses**

Canadian cannabis selling, general and administrative expenses for the nine months ended September 30, 2021 were \$13,660, or 20% of net sales, compared to \$6,731, or 17% of net sales, for the nine months ended September 30, 2020. The increase in selling, general and administrative expenses for the nine months ended September 30, 2021 in comparison to the nine months ended September 30, 2020 was primarily due to additional headcount to support the growth of the Canadian cannabis business. Selling, general and administrative expenses increased 3% as a percentage of net sales as revenues increased 76% between the nine months ended September 30, 2021 and September 30, 2020, respectively.

#### **Share-Based Compensation**

Share-based compensation expenses for the nine months ended September 30, 2021 were \$1,471 as compared to nil for the nine months ended September 30, 2020. The increase in share-based compensation is due to the vesting of performance share grants and cost of stock options for Canadian cannabis management.

#### **Gain on Settlement of Net Liabilities**

Pure Sunfarms recognized income of \$4,348 in the first quarter of 2020 as an outcome of the March 2, 2020 Settlement Agreement between Pure Sunfarms, Emerald and the Company. This gain is Pure Sunfarms' forgiveness of a shareholder loan and

accrued interest owed by Emerald offset by the extinguishment of the supply agreement and any amounts receivable thereunder, which included a C\$8,100 receivable from Emerald for sales made in 2019.

### **Net Income**

Canadian cannabis net income for the nine months ended September 30, 2021 was \$5,674 as compared to net income of \$9,036 for the nine months ended September 30, 2020. The decrease in net income was largely attributable to the Pure Sunfarms one-time gain on settlement of net liabilities of \$4,348 in 2020, partially offset by the higher operating profit for the nine months ended September 30, 2021.

### **Adjusted EBITDA**

Adjusted EBITDA for the nine months ended September 30, 2021 and September 30, 2020 was \$18,530 and \$10,953, respectively. Adjusted EBITDA increased 69% between periods primarily due to higher gross margin for the period ended September 30, 2021 as compared to September 30, 2020.

## **CANNABIS SEGMENT RESULTS – UNITED STATES**

The U.S. cannabis segment currently consists of Balanced Health. For the three and nine months ended September 30, 2021, U.S. cannabis financial results are based on the consolidated results of Balanced Health from the closing date of the acquisition of August 16, 2021, as the results of Balanced Health from August 16, 2021 through September 30, 2021 are consolidated in the Company's results.

### **Sales**

U.S. cannabis net sales for the period of August 16, 2021 to September 30, 2021 were \$3,838. Over 99% of sales are generated in the United States and gross sales are composed of 80% from e-commerce sales, 17% from retail sales, 3% from shipping income and 1% from bulk sales offset by a (1%) loyalty program impact as loyalty program customers generate loyalty points that may be used when purchasing Balanced Health products.

### **Cost of Sales**

U.S. cannabis cost of sales for the period of August 16, 2021 to September 30, 2021 were \$1,231. Cost of sales can be primarily attributed directly to e-commerce, retail and bulk cost of sales with all other costs of sales categorized within other manufacturing costs including expenses such as warehouse expenses, freight and shipping supplies.

### **Gross Margin**

U.S. cannabis gross margin for the period of August 16, 2021 to September 30, 2021 was \$2,607 or 68%.

### **Selling, General and Administrative Expenses**

U.S. cannabis selling general and administrative expenses for the period of August 16, 2021 to September 30, 2021 was \$2,125. As the U.S. cannabis business derives a significant number of sales through its online technology platforms, the primary expense categories within selling, general and administrative include sales and marketing of 41%, merchant fees of 14%, e-commerce support of 14% and IT services of 9%.

### **Share-Based Compensation**

U.S. cannabis share-based compensation for the period of August 16, 2021 to September 30, 2021 was \$63. The share-based compensation is due to the cost of stock options for U.S. cannabis management.

### **Net Income**

U.S. cannabis net income for the period of August 16, 2021 to September 30, 2021 was \$300 due primarily to the gross margin of 68%.

### **Adjusted EBITDA**

U.S. cannabis adjusted EBITDA for the period of August 16, 2021 to September 30, 2021 was \$672 and is due primarily to the operating profit.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Capital Resources**

As at September 30, 2021, we had \$79,199 in cash and \$124,231 of working capital, and as at December 31, 2020, we had \$21,640 in cash and \$29,528 of working capital. We expect to utilize our working capital and provide or obtain adequate financing to maintain and improve our property, plant and equipment, to fund working capital produce needs and invest in our cannabis and

cannabinoid business enterprises and potential opportunities for the next twelve months from cash flows from operations, and, if needed, from additional borrowings under the Credit Facilities (as defined below) or additional equity or debt financing.

<i>(in thousands of U.S. dollars unless otherwise noted)</i>	<b>Maximum</b>		<b>Outstanding as of September 30, 2021</b>
Operating Loan <sup>(1)</sup>	C\$	10,000	\$ —
Term Loan	\$	27,214	\$ 27,214
Pure Sunfarms Loan	C\$	44,815	C\$ 44,815
VFCE Loan	C\$	757	C\$ 757

(1) The Operating Loan was amended on May 7, 2021 with a maximum line of credit of C\$10,000. See “Operating Loan” below.

The Company’s borrowings under the FCC Term Loan, the Operating Loan and VFCE Borrowings (collectively the “Credit Facilities”), excluding Pure Sunfarms borrowings, are subject to certain positive and negative covenants, including debt ratios, and the Company is required to maintain certain minimum working capital. As of September 30, 2021, the Company was in compliance with all of its covenants under its Credit Facilities.

Accrued interest payable on the Credit Facilities and Pure Sunfarms Loans as of September 30, 2021 and December 31, 2020 was \$34 and \$189, respectively, and these amounts are included in accrued liabilities in the Condensed Consolidated Interim Statements of Financial Position.

#### *Term Loan*

The Company has a term loan financing agreement with Farm Credit Canada (“FCC”), a Canadian creditor (the “FCC Term Loan”). The non-revolving variable rate term loan has a maturity date of April 1, 2025 and a balance of \$27,214 on September 30, 2021 and \$28,690 as of December 31, 2020. The outstanding balance is repayable by way of monthly installments of principal and interest, with the balance and any accrued interest to be paid in full on April 1, 2025. Effective August 1, 2020, monthly principal payments were reduced to \$164 from \$257. As of September 30, 2021 and December 31, 2020, borrowings under the FCC Term Loan agreement were subject to an interest rate of 3.69% and 3.79% per annum, respectively.

As collateral for the FCC Term Loan, the Company has provided promissory notes, a first mortgage on the VFF-owned Delta 1 and Texas greenhouse facilities, and general security agreements over its assets. In addition, the Company has provided full recourse guarantees and has granted security interests in respect of the FCC Term Loan. The carrying value of the assets and securities pledged as collateral as of September 30, 2021 and December 31, 2020 was \$223,788 and \$86,664, respectively.

#### *Operating Loan*

The Company has a revolving line of credit agreement with a Canadian chartered bank (the “Operating Loan”). The Operating Loan has a line of credit of up to C\$10,000, as amended on May 7, 2021, less outstanding letters of credit totaling \$150 and C\$38 and includes variable interest rates with a maturity date of May 7, 2024. The Operating Loan is subject to margin requirements stipulated by the lender. As of September 30, 2021, there was no amount drawn on this loan, and as of December 31, 2020, the amount drawn on this facility was \$2,000.

As collateral for the Operating Loan, the Company has provided promissory notes and a first priority security interest over its accounts receivable and inventory. In addition, the Company has granted full recourse guarantees and security therein. The carrying value of the assets pledged as collateral as of September 30, 2021 and December 31, 2020 was \$28,414 and \$23,443, respectively.

#### *VFCE Loan*

VFCE has a loan agreement with a Canadian chartered bank that includes a non-revolving fixed rate loan (the “VFCE Loan”) of C\$3,000 with a maturity date of June 2023 and a fixed interest rate of 4.98% per annum. As of September 30, 2021 and December 31, 2020, the balance of the VFCE Loan was C\$757 and C\$1,103, respectively. The loan agreement also includes an uncommitted credit facility for up to C\$700 to support financing of certain capital expenditures (the “VFCE Credit Facility”). The Company paid off the outstanding balance of the VFCE Credit Facility in the second quarter of 2021. As of September 30, 2021 and December 31, 2020, the outstanding borrowings under the VFCE Credit Facility were nil and C\$88, respectively (such borrowings, together with the VFCE Loan, the “VFCE Borrowings”).

#### *Pure Sunfarms Loans*

On March 15, 2021, Pure Sunfarms entered into the Third Amended and Restated Credit Agreement (the “Third Amended and Restated PSF Credit Agreement”) with FCC and two Canadian chartered banks, which extended the maturity date of each of the PSF Revolving Line of Credit, PSF Non-Revolver Facility and the PSF Term Loan (each as defined below) through February 7, 2024.



and included a guarantee by Village Farms. The Third Amended and Restated PSF Credit Agreement amended and updated the previous three loan facilities.

The first loan facility is a revolving line of credit (the “PSF Revolving Line of Credit”) with two separate C\$7,500 commitments from each of the Canadian chartered banks. Each lender established a revolving line of credit severally and not jointly whereby Pure Sunfarms may receive advances in equal proportionate amounts from each lender. The advances shall be used for working capital purposes, general corporate purposes and capital expenditures, of which capital expenditures may not exceed C\$7,500 in aggregate use of the outstanding advances. Interest is payable at the Canadian prime rate plus an applicable margin per annum, payable monthly. The PSF Revolving Line of Credit had no outstanding balance as of September 30, 2021 and December 31, 2020.

The second loan facility is a credit agreement with a Canadian chartered bank, as agent and lead lender, and FCC, as lender, in respect of a C\$17,000 secured non-revolver term loan (the “PSF Non-Revolving Facility”). The PSF Non-Revolving Facility, which matures on February 7, 2024, is secured by the Delta 2 and Delta 3 greenhouse facilities and contains customary financial and restrictive covenants. The purpose of the PSF Non-Revolving Facility is to refinance our Delta 3 greenhouse and provide funds to upgrade and retrofit the Delta 2 facility. The outstanding amount on the PSF Non-Revolving Facility was C\$15,479 on September 30, 2021 and C\$17,057 on December 31, 2020.

The third loan facility is a C\$25,000 term loan (the “PSF Term Loan”) at the Canadian prime interest rate plus an applicable margin, repayable in quarterly payments equal to 2.50% of the outstanding principal amount starting June 30, 2021 and maturing February 7, 2024. Advances under the PSF Term Loan shall be used to finance the upgrade and retrofit of the Delta 2 greenhouse to render it suitable for cannabis cultivation as well as any funds necessary for capital expenditures on the Delta 3 processing facility. The outstanding amount on the PSF Term Loan was C\$23,095 on September 30, 2021 and C\$21,072 on December 31, 2020.

On December 20, 2020, Pure Sunfarms entered into a C\$6,250 non-revolving demand loan at the Canadian prime interest rate plus 3.75% per annum with a Canadian chartered bank with the financial support of the Business Development Bank of Canada (the “BDC Facility”). The BDC Facility, provided as part of COVID-19 government relief, requires interest only payments monthly for the first twelve months and matures on December 31, 2031. Commencing on December 31, 2021, Pure Sunfarms will repay the outstanding principal amount in equal monthly installments. The outstanding amount on the BDC Facility was C\$6,241 on September 30, 2021 and C\$6,250 on December 31, 2020.

Pure Sunfarms is required to comply with financial covenants under the Third Amended and Restated PSF Credit Agreement, which are measured quarterly. As of September 30, 2021, Pure Sunfarms was in compliance with these financial covenants.

#### *Emerald Promissory Note*

The Company had a note payable due to Emerald of C\$19,900, plus accrued interest that the Company originally issued to Emerald as partial consideration for the November 2, 2020 acquisition of Pure Sunfarms. The note and accrued interest were repaid to Emerald in full on February 5, 2021.

#### *Equity Offerings*

The Company closed equity offerings on March 24, 2020, September 10, 2020, and January 20, 2021. The March 24, 2020 public offering raised gross proceeds of C\$11,500 through the issuance of 3,593,750 Common Shares at a price of C\$3.20 per Common Share. The September 10, 2020 offering raised gross proceeds of \$49,800 through the issuance of 9,396,226 Units with each Unit consisting of one Common Share at a price of \$5.30 per Common Share and one-half of a Warrant at an exercise price of \$5.80, and on January 20, 2021, Village Farms completed a registered direct offering for the purchase and sale of an aggregate of 10,887,097 Common Shares at a purchase price of \$12.40 per Common Share for gross proceeds of approximately \$135,000.

#### **Summary of Cash Flows**

	<b>For the nine months ended</b>	
	<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>
<i>(in Thousands)</i>		
Cash beginning of period	\$ 25,679	\$ 11,989
Net cash flow provided by/(used in):		
Operating activities	(21,106)	4,014
Investing activities	(42,199)	(14,148)
Financing activities	121,885	52,812
Net cash increase (decrease) for the period	58,580	42,678
Effect of exchange rate changes on cash	191	(1)
Cash, end of the period	\$ 84,450	\$ 54,666

### Operating Activities

For the nine months ended September 30, 2021 and 2020, cash flows (used in) provided by operating activities were (\$21,106) and \$4,014, respectively. The operating activities for the first nine months of 2021 consisted of (\$20,831) in changes in non-cash working capital items and (\$275) in changes before non-cash working capital items, while operating activities for the first nine months of 2020 consisted of \$4,938 in changes in non-cash working capital items and (\$924) in changes before non-cash working capital items. The decrease from operating activities between periods was primarily due to the lower operating results of the produce business for the nine months ended September 30, 2021, partially offset by the inclusion of the Canadian and U.S. cannabis operating results in 2021. The decrease in non-cash working capital items was primarily due to the increase in produce inventory as a result of the 2021 duration and timing of the produce planting and harvesting cycle for the Texas facilities as well as the inclusion of the 2021 Canadian and U.S. cannabis non-cash working capital items.

### Investing Activities

For the nine months ended September 30, 2021 and 2020, cash flows used in investing activities were (\$42,199) and (\$14,148), respectively. The investing activities for the nine months ended September 30, 2021 largely consists of (\$25,944) in net acquisition costs for Balanced Health Botanicals, LLC, (\$15,131) of capital expenditure expenses, of which (\$11,674) was primarily for the Pure Sunfarms' Delta 2 greenhouse transition to cannabis and (\$3,457) for upgrades to our produce operations and a (\$1,109) investment in Altum. The investing activities for the nine months ended September 30, 2020 consist primarily of (\$11,713) of additional investment in Pure Sunfarms, (\$1,076) of capital expenditures for our produce operations and minority interest investments in Altum and DutchCanGrow Inc. totaling (\$1,226).

### Financing Activities

For the nine months ended September 30, 2021 and 2020, cash flows provided by financing activities were \$121,885 and \$52,812, respectively. For the nine months ended September 30, 2021, cash flows provided by financing activities primarily consisted of \$127,489 of net proceeds from the issuance of Common Shares, \$18,495 in proceeds from the exercise of warrants from the September 2020 registered direct offering, the (\$15,498) payment of the Emerald Promissory Note, share repurchases of (\$5,000), payments on borrowings net of proceeds of (\$3,263) and (\$537) for payments on capital lease obligations. For the nine months ended September 30, 2020, cash flows provided by financing activities primarily consisted of \$42,569 of net proceeds from the issuance of Common Shares and warrants, \$11,369 in proceeds from the exercise of warrants and (\$1,326) of payments on borrowings net of proceeds.

### Contractual Obligations and Commitments

Information regarding our contractual obligations as of September 30, 2021 is set forth in the table below:

Financial liabilities	Total	1 year	2-3 years	4-5 years	More than 5 years
Long-term debt	\$ 69,159	\$ 6,258	\$ 35,431	\$ 23,300	\$ 4,170
Trade payables	16,032	16,032	—	—	—
Accrued liabilities	22,328	22,328	—	—	—
Lease liabilities	8,100	588	4,046	2,531	935
Other liabilities	25,700	—	25,700	—	—
Total	<u>\$ 141,319</u>	<u>\$ 45,206</u>	<u>\$ 65,177</u>	<u>\$ 25,831</u>	<u>\$ 5,105</u>

As of September 30, 2021, Pure Sunfarms had a service agreement with an unrelated party. In the event Pure Sunfarms terminates the agreement, Pure Sunfarms would be required to pay the counterparty a C\$1,000 termination fee. This is considered a commitment.

### Non-GAAP Measures

References in this MD&A to “Adjusted EBITDA” are to earnings (including the equity earnings of the joint ventures, Pure Sunfarms and VFH) before interest, taxes, depreciation, and amortization (“EBITDA”), as further adjusted to exclude foreign currency exchange gains and losses on translation of long-term debt, unrealized gains on the changes in the value of derivative instruments, share-based compensation, gains and losses on asset sales and the other adjustments set forth in the table below. Adjusted EBITDA is a cash flow measure that is not recognized under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as an indicator of our performance or to cash flows from operating, investing, and financing activities as measures of liquidity and cash flows. Management believes that Adjusted EBITDA is an important measure in evaluating the historical performance of the Company.

We also present Adjusted EBITDA, earnings per share and diluted earnings per share on a proportionate segment basis. Each of the components of Adjusted EBITDA, on a proportionate segment basis (which include our proportionate share of the joint ventures, Pure Sunfarms and VFH operations), are presented in the table “Reconciliation of U.S. GAAP Results to Proportionate Results” below. We believe that the ability of investors to assess our overall performance may be improved by the disclosure of proportionate segment Adjusted EBITDA, earnings per share and diluted earnings per share, given that our joint ventures represented a significant percentage of our net income in 2020.

### Reconciliation of Net Income to Adjusted EBITDA

The following table reflects a reconciliation of net income to Adjusted EBITDA, as presented by the Company:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands of U.S. dollars)	2021 <sup>(1)</sup>	2020 <sup>(1)</sup>	2021 <sup>(1)</sup>	2020 <sup>(1)</sup>
Net (loss) income	\$ 745	\$ 520	\$ (11,154)	\$ 4,591
Add:				
Amortization	3,306	1,518	10,616	4,540
Foreign currency exchange loss	286	484	521	880
Interest expense, net	570	198	1,860	696
Recovery of income taxes	1,077	336	(2,543)	(607)
Share-based compensation	1,820	472	5,705	1,329
Interest expense for JVs	13	240	40	636
Amortization for JVs	(64)	598	—	1,276
Foreign currency exchange loss for JVs	—	33	—	118
Provision for income taxes for JVs	—	245	—	1,736
Deferred financing fees	68	—	234	—
Incremental utility costs due to storm	—	—	1,400	—
Purchase price adjustment <sup>(2)</sup>	(1,217)	—	1,841	—
Other expense	181	—	181	—
Gain on settlement agreement <sup>(3)</sup>	—	—	—	(4,681)
Gain on settlement of net liabilities from JV	—	—	—	(2,496)
Gain on disposal of assets	—	(88)	35	(97)
Adjusted EBITDA <sup>(4)</sup>	\$ 6,785	\$ 4,556	\$ 8,736	\$ 7,921
Adjusted EBITDA for JVs (See table below)	\$ (13)	\$ 2,333	\$ (140)	\$ 6,050
Adjusted EBITDA excluding JVs	\$ 6,798	\$ 2,223	\$ 8,876	\$ 1,871

Notes:

- (1) For the three and nine months ended September 30, 2021, Pure Sunfarms is fully consolidated in the financial results of the Company. For the three and nine months ended September 30, 2020, our share of Pure Sunfarms’ earnings is reflected in equity earnings of unconsolidated entities. For the three and nine months ended September 30, 2021, Balanced Health’s financial results from August 16, 2021 to September 30, 2021 are fully consolidated in the financial results of the Company
- (2) The purchase price adjustment primarily reflects the non-cash accounting charge/(positive impact) resulting from the revaluation of Pure Sunfarms’ inventory to fair value at the acquisition date.
- (3) See “Results of Operations – Consolidated Results – Gain on Settlement Agreement” above.
- (4) Adjusted EBITDA is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA is a useful supplemental measure in evaluating the performance of the Company. Adjusted EBITDA includes the Company’s majority non-controlling interest in Pure Sunfarms (through November 1, 2020), and 65% interest in VFH.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands of U.S. dollars)	2021	2020	2021	2020
Breakout of JV Adjusted EBITDA				
Pure Sunfarms Adjusted EBITDA	\$ —	\$ 2,511	\$ —	\$ 6,365
VFH Adjusted EBITDA	(13)	(178)	(140)	(315)
Total JV Adjusted EBITDA	\$ (13)	\$ 2,333	\$ (140)	\$ 6,050

## Reconciliation of U.S. GAAP Results to Proportionate Results

The following tables are a reconciliation of the GAAP results to the proportionate results (which include our proportionate share of the joint venture operation of Pure Sunfarms and VFH). Pure Sunfarms was a joint venture until the Company acquired 100% ownership on November 2, 2020. The tables reflect the full statements of income for Pure Sunfarms (Cannabis) and VFH (Hemp) multiplied by the ownership percentage of the Company (versus presenting the results of these joint ventures in Equity Earnings from Unconsolidated Entities):

For the Three months ended September 30, 2021						
	Produce	Cannabis <sup>1,2</sup>	Clean Energy	Corporate	Hemp <sup>1</sup>	Total
Sales	\$ 41,152	\$ 31,231	\$ 59	\$ —	\$ 7	\$ 72,449
Cost of sales	(39,099)	(15,475)	(119)	—	52	(54,641)
Selling, general and administrative expenses	(2,239)	(7,387)	(59)	(3,447)	(8)	(13,140)
Share-based compensation	—	(249)	—	(1,571)	—	(1,820)
Loss on disposal of assets	—	—	—	—	—	—
Other expense, net	(798)	(69)	(8)	(133)	(18)	(1,026)
(Provision for) recovery of income taxes	(497)	(2,024)	—	1,444	—	(1,077)
Net (loss) income	\$ (1,481)	\$ 6,027	\$ (127)	\$ (3,707)	\$ 33	745
Adjusted EBITDA <sup>3</sup>	\$ 1,334	\$ 9,299	\$ (118)	\$ (3,717)	\$ (13)	\$ 6,785
(Loss) earnings per share – basic	\$ (0.03)	\$ 0.07	\$ (0.00)	\$ (0.03)	\$ 0.00	\$ 0.01
(Loss) earnings per share – diluted	\$ (0.03)	\$ 0.07	\$ (0.00)	\$ (0.03)	\$ 0.00	\$ 0.01

For the three months ended September 30, 2020						
	Produce	Cannabis <sup>1,2</sup>	Clean Energy	Corporate	Hemp <sup>1</sup>	Total
Sales	\$ 42,933	\$ 10,007	\$ 104	\$ —	\$ —	\$ 53,044
Cost of sales	(37,106)	(6,547)	(312)	—	—	(43,965)
Selling, general and administrative expenses	(2,560)	(1,436)	(36)	(2,346)	(213)	(6,591)
Share-based compensation	—	—	—	(472)	—	(472)
Gain on disposal of assets	—	—	—	—	89	89
Other (expense) income, net	(696)	(336)	(13)	54	(13)	(1,004)
(Provision for) recovery of income taxes	(2,340)	(245)	—	2,004	—	(581)
Net income (loss)	\$ 231	\$ 1,443	\$ (257)	\$ (760)	\$ (137)	\$ 520
Adjusted EBITDA <sup>3</sup>	\$ 4,653	\$ 2,511	\$ (85)	\$ (2,345)	\$ (178)	\$ 4,556
Earnings (loss) per share - basic	\$ 0.00	\$ 0.02	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ 0.01
Earnings (loss) per share - diluted	\$ 0.00	\$ 0.02	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ 0.01

For the nine months ended September 30, 2021						
	Produce	Cannabis <sup>1,2</sup>	Clean Energy	Corporate	Hemp <sup>1</sup>	Total
Sales	\$ 121,558	\$ 73,452	\$ 202	\$ —	\$ 7	\$ 195,219
Cost of sales	(122,486)	(45,664)	(1,741)	—	(38)	(169,929)
Selling, general and administrative expenses	(7,736)	(15,723)	(143)	(6,647)	(109)	(30,358)
Share-based compensation	—	(1,534)	—	(4,171)	—	(5,705)
(Loss) gain on disposal of assets	—	(40)	—	—	5	(35)
Other expense, net	(798)	(1,423)	(29)	(599)	(40)	(2,889)
Recovery of (provision for) income taxes	2,875	(2,654)	—	2,322	—	2,543
Net (loss) income	\$ (6,587)	\$ 6,414	\$ (1,711)	\$ (9,095)	\$ (175)	\$ (11,154)
Adjusted EBITDA <sup>3</sup>	\$ (3,138)	\$ 19,202	\$ (269)	\$ (6,919)	\$ (140)	\$ 8,736
(Loss) income per share – basic	\$ (0.08)	\$ 0.08	\$ (0.02)	\$ (0.12)	\$ (0.00)	\$ (0.14)
(Loss) income per share – diluted	\$ (0.08)	\$ 0.08	\$ (0.02)	\$ (0.12)	\$ (0.00)	\$ (0.14)

**For the nine months ended September 30, 2020**

	<b>Produce</b>	<b>Cannabis<sup>1,2</sup></b>	<b>Clean Energy</b>	<b>Corporate</b>	<b>Hemp<sup>1</sup></b>	<b>Total</b>
Sales	\$ 122,356	\$ 22,958	\$ 366	\$ —	\$ 98	\$ 145,778
Cost of sales	(111,750)	(13,782)	(1,059)	—	(120)	(126,711)
Selling, general and administrative expenses	(7,414)	(3,870)	(146)	(5,116)	(500)	(17,046)
Share-based compensation	—	—	—	(1,329)	—	(1,329)
Gain on settlement agreement	—	—	—	4,681	—	4,681
Gain on settlement of net liabilities	—	2,496	—	—	—	2,496
Gain (loss) on disposal of assets	—	5	—	(6)	99	98
Other expense, net	(696)	(634)	(44)	(744)	(129)	(2,247)
(Provision for) recovery of income taxes	(939)	(1,736)	—	1,546	—	(1,129)
Net income (loss)	\$ 1,557	\$ 5,437	\$ (883)	\$ (968)	\$ (552)	\$ 4,591
Adjusted EBITDA <sup>3</sup>	\$ 7,219	\$ 6,365	\$ (231)	\$ (5,117)	\$ (315)	\$ 7,921
Earnings (loss) per share – basic	\$ 0.02	\$ 0.10	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ 0.08
Earnings (loss) per share – diluted	\$ 0.02	\$ 0.10	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ 0.08

Notes:

- (1) The adjusted consolidated financial results have been adjusted to include our share of sales and expenses from Pure Sunfarms and VFH on a proportionate accounting basis, on which management bases its operating decisions and performance evaluation. GAAP does not allow for the inclusion of the joint ventures on a proportionate basis. These results include additional non-GAAP measures such as Adjusted EBITDA.  
The adjusted results are not generally accepted measures of financial performance under GAAP. Our method of calculating these financial performance measures may differ from other companies and accordingly, they may not be comparable to measures used by other companies.
- (2) The Cannabis results include the financial results of both Cannabis – Canada and Cannabis – U.S.
- (3) Adjusted EBITDA is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA is a useful supplemental measure in evaluating the performance of the Company. Consolidated Adjusted EBITDA includes our majority non-controlling interest Pure Sunfarms (through November 1, 2020), and our 65% interest in VFH.

### New Accounting Pronouncements Not Yet Adopted

In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”). ASU 2020-04 provides optional expedients and exceptions for applying GAAP to debt instruments, derivatives, and other contracts that reference LIBOR or other reference rates expected to be discontinued as a result of reference rate reform. This guidance is optional and may be elected through December 31, 2022 using a prospective application on all eligible contract modifications. The Company has a line of credit that incorporates LIBOR as a referenced interest rate. It is difficult to predict what effect, if any, the phase-out of LIBOR and the use of alternative benchmarks may have on the Company’s business or on the overall financial markets. The Company has not adopted any of the optional expedients or exceptions through September 30, 2021 but will continue to evaluate the possible adoption of any such expedients or exceptions.

### Critical Accounting Estimates and Judgments

Our discussion and analysis of our financial condition and results of operations are based upon our Unaudited Condensed Consolidated Interim Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses and related disclosure of contingent assets and liabilities.

We believe that the estimates, assumptions and judgments involved in the accounting policies described in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of our most recent Annual Report on Form 10-K for the year ended December 31, 2020 have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. Actual results could differ from the estimates we use in applying our critical accounting policies. We are not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.



### Item 3. Quantitative and Qualitative Disclosures About Market Risk

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its long-term debt, for which the interest rates charged fluctuate based on the 90-day LIBOR rate. If interest rates had been 50 basis points higher (lower), the net income for the three months ended September 30, 2021 and 2020 would have been higher (lower) by \$79 and \$39, respectively and net income for the nine months ended September 30, 2021 and 2020 would have been higher (lower) by \$318 and \$117, respectively. These net income effects represent increased (decreased) interest expense for the periods ended September 30, 2021 and 2020, respectively.

In addition, it is difficult to predict what effect, if any, the phase-out of LIBOR and the use of alternative benchmarks may have on the Company's business or on the overall financial markets. The Company has not adopted any of the optional expedients or exceptions through September 30, 2021 but will continue to evaluate the possible adoption of any such expedients or exceptions. For more information, see Item 2, "Management's Discussion and Analysis—New Accounting Pronouncements Not Yet Adopted".

While we cannot predict our ability to refinance existing debt or the significance of the impact that interest rate movements will have on our existing debt, management evaluates our financial position on an ongoing basis.

#### Foreign Exchange Risk

As of September 30, 2021 and September 30, 2020, the Canadian/U.S. foreign exchange rate was C\$1.00 = US\$0.7867 and C\$1.00 = US\$0.7482, respectively. Assuming that all other variables remain constant, an increase of \$0.10 in the Canadian dollar would have the following impact on the ending balances of certain statements of financial position items at September 30, 2021 and September 30, 2020 with the net foreign exchange gain or loss directly impacting net income (loss).

	September 30, 2021	September 30, 2020
<b>Financial assets</b>		
Cash and cash equivalents	\$ 1,570	\$ 6,298
Trade receivables	3,193	340
JV notes receivable	—	1,464
Inventories	4,407	—
Prepaid and deposits	1,000	—
<b>Financial liabilities</b>		
Trade payables and accrued liabilities	(3,560)	(454)
Loan payable	(4,557)	(121)
Deferred tax liability	(2,464)	—
<b>Net foreign exchange gain (loss)</b>	<u>\$ (411)</u>	<u>\$ 7,527</u>

Our exposure to foreign exchange risk and the impact of foreign exchange rates are monitored by the Company's management but generally the Company tries to match its sales (trade receivables) and vendor payments (trade payables) such that the net impact is not material.

Other than the interest rate risk and foreign exchange risk discussed above, there have been no material changes to our market risks from those disclosed in Part II, Item 7A of our Annual Report on Form 10-K.

### Item 4. Controls and Procedures

#### *Evaluation of Disclosure Controls and Procedures*

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified by the U.S. Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Principal Financial and Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company's Chief Executive Officer and Principal Financial and Accounting Officer evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Exchange Act of

1934, as amended) as of the end of the period covered by this Quarterly Report. Based upon that evaluation, the Chief Executive Officer and the Principal Financial and Accounting Officer concluded that, as of the end of the period covered by this Quarterly Report, the Company's disclosure controls and procedures are effective.

*Changes in Internal Control over Financial Reporting*

The Company's management, including the Chief Executive Officer and Principal Financial and Accounting Officer, has reviewed the Company's internal control over financial reporting. There were no changes in the Company's internal control over financial reporting during the quarter ended September, 30, 2021 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II. – OTHER INFORMATION**

### **Item 1. Legal Proceedings**

From time to time the Company is engaged in legal proceedings in the ordinary course of business. We do not believe any current legal proceedings are material to our business.

### **Item 1A. Risk Factors**

Our business, operations, and financial condition are subject to various risks and uncertainties. The risk factors described in Part I, Item 1A, “Risk Factors” contained in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on March 15, 2021 and amended on March 18, 2021, should be carefully considered, together with the other information contained or incorporated by reference in this Quarterly Report on Form 10-Q and in our other filings filed with the SEC in connection with evaluating us, our business, and the forward-looking statements contained in this Quarterly Report on Form 10-Q.

On August 16, 2021, the Company acquired 100% interest in Balanced Health Botanicals, LLC, one of the leading CBD brands and e-commerce platforms in the United States. As such, the Company reviewed the risk factors previously disclosed under Part I, Item 1A, “Risk Factors” contained in our Annual Report on Form 10-K for the year ended December 31, 2020. We have amended some of the risk factors disclosed in the Annual Report on Form 10-K to include Balanced Health and provided additional risk factors due to the business operations and U.S. hemp-derived CBD products manufactured and sold by Balanced Health. These risks and uncertainties include, but are not limited to, the following:

#### **Business and Operational Risk Factors**

##### ***We may be unable to manage our growth successfully.***

We may not be able to successfully manage our growth. Our growth strategy will place significant demands on our financial, operational and management resources. In order to continue our growth, we will need to add administrative, management and other personnel, and make additional investments in operations and systems. We may not be able to locate and train qualified personnel, or do so on a timely basis, or expand our operations and systems to the extent, and in the time, required.

In particular, we may not have the capacity to meet customer demand or to meet future demand when it arises in respect of Pure Sunfarms’ cannabis business and BHB’s cannabinoid business. In addition, delays in obtaining, or conditions imposed by, regulatory approvals and quality control and health concerns in respect of these businesses could have a negative effect on our growth strategy. If we cannot manage growth in these markets effectively, it may have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

In addition, we will need to effectively execute on business opportunities and continue to build on and deploy corporate development and marketing assets as well as access sufficient new capital, as may be required. The ability to successfully complete acquisitions and to capitalize on other growth opportunities may redirect our limited resources. This may require us to commit substantial financial, operational, and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. There can be no assurance we will be able to respond adequately or quickly enough to the changing demands that material expansion of our business will impose on management, team members and existing operations and systems, and changes to our operating structure may result in increased costs or inefficiencies that we cannot anticipate. Changes as we grow may have a negative impact on our operations, and cost increases resulting from our inability to effectively manage our growth could adversely impact our profitability. In addition, continued growth could also strain our ability to maintain reliable service levels for our clients, develop and approve our operational, financial and management controls, enhance our reporting systems and procedures and recruit, train and retain highly skilled personnel.

Failure to effectively manage our growth could result in difficulty or delays in servicing clients, declines in quality or client satisfaction, increases in costs, difficulties in introducing new products or applications or other operational difficulties, and any of these difficulties could adversely impact our business performance and results of operations. There can be no assurance that we will effectively be able to manage our expanding operations, including any acquisitions, that our growth will result in profit, that we will be able to attract and retain sufficient management personnel necessary for growth or that we will be able to successfully make strategic investments or acquisitions.

In addition, acquisitions of additional businesses that we may pursue in the future may be financed wholly or partially with debt, which may temporarily increase our debt levels above industry standards. Any debt financing secured in the future could involve additional restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including other future potential acquisitions.



***We are subject to risks related to payment from our customers.***

We accept payments using a variety of methods, including credit card, debit card, consumer invoicing, physical bank check and payment upon delivery. As we offer new payment options to consumers, we may be subject to additional regulations, compliance requirements, fraud and other risks. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We are also subject to payment card association operating rules and certification requirements, including the Payment Card Industry Data Security Standard (“PCI DSS”) and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult for us to comply. Failure to comply with these rules or requirements, as well as any breach, compromise, or failure to otherwise detect or prevent fraudulent activity involving our data security systems, could result in our being liable for card issuing banks’ costs, subject to fines and higher transaction fees, and loss of our ability to accept credit and debit card payments from our customers, process electronic funds transfers, or facilitate other types of online payments, and our business and operating results could be adversely affected.

Furthermore, as our business changes, we may be subject to different rules under existing standards, which may require new assessments which may increase our current compliance costs. In the future, as we offer new payment options to consumers, including by way of integrating emerging mobile and other payment methods, we may be subject to additional regulations, compliance requirements and fraud. If we fail to comply with the rules or requirements of any provider of a payment method we accept or if a data breach occurs relating to our payment systems, we may, among other things, be subject to fines or higher transaction fees and may lose, or face restrictions placed upon, our ability to accept credit card payments from consumers or facilitate other types of online payments. We are also subject to or voluntarily comply with other laws and regulations relating to payments, money laundering, international money transfers, privacy, data protection, data security, network security, consumer protection, and electronic fund transfers. If we were found to be in violation of applicable laws or regulations, we could be subject to regulatory, civil or criminal penalties, or lose the ability to provide certain services. If any of these events were to occur, our business, financial condition, and results of operations could be materially and adversely affected.

**Industry Risk Factors**

***The cannabis and hemp-derived CBD industries are relatively new, and we cannot predict whether they will continue to grow as anticipated.***

As a federal License Holder under the Cannabis Act, Pure Sunfarms is operating in the relatively new cannabis industry and market, and Balanced Health is operating in the relatively new hemp-derived cannabinoid industry and market. In addition to being subject to general business risks, we must continue to build brand awareness in these industries and market share through significant investments in our strategy, production capacity, quality assurance and compliance with regulations. Research in Canada, the United States and internationally regarding the health benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids remains in relatively early stages. Few clinical trials on the benefits of cannabis or isolated cannabinoids have been conducted. Future research and clinical trials may draw opposing conclusions to statements contained in the articles, reports and studies currently favored, or could reach different or negative conclusions regarding the health benefits, viability, safety, efficacy, dosing or other facts and perceptions related to cannabis, which could adversely affect social acceptance of cannabis and the demand for Pure Sunfarms’ cannabis and BHB’s cannabinoid products.

Accordingly, there is no assurance that the cannabis and hemp-derived CBD industries and markets will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management’s expectations and assumptions. Any event or circumstance that adversely affects the cannabis and cannabinoid industry could have a material adverse effect on our business, financial condition, and results of operations.

***Our success depends on our ability to attract and retain customers.***

Our success depends on our ability to attract and retain customers. There are many factors which could impact our ability to attract and retain customers, including but not limited to the ability to continually grow and distribute desirable produce and cannabis.

For Pure Sunfarms and Balanced Health, the successful implementation of a customer acquisition plan and the continued growth in the aggregate number of potential customers are critical to the ability to attract and retain customers. Even if Pure Sunfarms’ and Balanced Health’s products achieve initial retail success, our long-term success is significantly dependent upon the ability to develop new and improved product lines. In addition, we can provide no assurance that campaigns to promote Pure Sunfarms’ and Balanced Health’s products will be successful in attracting customers, and any such campaigns are heavily regulated and can entail significant expense. Our failure to acquire and retain customers and the imposition of further restrictions on sales and marketing or further restrictions on sales in certain areas and markets, could have a material adverse effect on our business, operating results and financial condition.

***Customer Credit Risk of Pure Sunfarms’ and Balanced Health’s customers***

Due to the recent volatility in the cannabis and cannabinoid sector generally, certain of Pure Sunfarms’ or Balanced Health’s customers may encounter financial difficulties that could result in Pure Sunfarms or Balanced Health being unable to collect some or all of its accounts receivable from those customers. Accordingly, we are subject to credit risk in relation to accounts receivable with

the spot market, other wholesale or retail customers and LPs. Disputes with customers may arise in the future relating to the non-payment of accounts receivable and may escalate to litigation or other dispute resolution processes, which could be protracted, time consuming and expensive, and there can be no assurance that we will be successful in any such disputes. The foregoing could have a material adverse impact on our business, financial condition, results of operations and prospects.

***Increasing legalization of cannabis and rapid growth and consolidation in the cannabis and cannabinoid industry may further intensify competition.***

The cannabis and cannabinoid industry is undergoing rapid growth and substantial change, and the legal landscape for recreational cannabis and CBD is rapidly changing internationally. An increasing number of jurisdictions globally are passing legislation allowing for the production and distribution of recreational cannabis and CBD in some form or another. Entry into the cannabis and cannabinoid market by international competitors might lower the demand for Pure Sunfarms' and BHB's products on a global scale.

The foregoing legalization and growth trends in the cannabis and cannabinoid industry have resulted in an increase in competitors, consolidation and formation of strategic relationships. Such acquisitions or other consolidating transactions could harm us in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue, and market share, or forcing us to expend greater resources to meet new or additional competitive threats, all of which could harm our operating results. As competitors enter the market and become increasingly sophisticated, competition in the cannabis and cannabinoid industry may intensify and place downward pressure on retail prices for products and services, which could negatively impact profitability.

***Our revenues may be impacted by fluctuating market prices for our products.***

Our revenues will in large part be derived from the production, sale, and distribution of agriculturally based consumer goods – specifically tomatoes, peppers, cucumbers, cannabis and hemp-derived cannabinoids. The price of production, sale and distribution of these goods will fluctuate widely primarily due to, the natural economic balance of demand versus supply, as well as the impact of numerous factors beyond our control including international, economic, and political trends, expectations of inflation, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. The effects of these factors on the price of our goods and, therefore, the economic viability of our business, cannot accurately be predicted and may have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

The greenhouse vegetable, cannabis and cannabinoid industries are highly competitive and sensitive to changes in demand and supply. The price of greenhouse produce is affected by many factors including control of the distribution channel by large, big box retailers, quality and general economic conditions, all of which could have a material adverse effect on our results of operations and financial condition. Demand for our products is subject to fluctuations resulting from adverse changes in general economic conditions, evolving consumer preferences, nutritional and health-related concerns and public reaction to food spoilage or food contamination issues. General supply of all our goods is subject to fluctuations relating to weather, insects, plant disease and changes in greenhouse acreage. There can be no assurance that consumption will increase or that present consumption levels will be maintained. If consumer demand for our products decreases, our financial condition and results of operations may be materially adversely affected.

## **Legal and Regulatory Risk Factors**

***Government regulation of the Internet and e-commerce is evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business, financial condition, and results of operations.***

We are subject to general business regulations and laws as well as regulations and laws specifically governing the Internet and e-commerce. Existing and future regulations and laws could impede the growth of the Internet, e-commerce or mobile commerce, which could in turn adversely affect our growth. These regulations and laws may involve taxes, tariffs, privacy and data security, anti-spam, content protection, electronic contracts and communications, consumer protection and Internet neutrality. It is not clear how existing laws governing issues such as property ownership, sales and other taxes and consumer privacy apply to the Internet as the vast majority of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or e-commerce. It is possible that general business regulations and laws, or those specifically governing the Internet or e-commerce, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We provide no assurance that our practices have complied, comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business and proceedings or actions against us by governmental entities, customers, suppliers or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business, decrease the use of our website and mobile applications by consumers and suppliers and may result in the imposition of monetary liabilities. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of non-compliance with any such laws or regulations. As a result, adverse developments with respect to these laws and regulations could substantially harm our business, financial condition, and results of operations.

### ***Restricted access to banking, including anti-money laundering laws and regulations***

In February 2014, the U.S. Department of Treasury's Financial Crimes Enforcement Network ("FinCEN") issued the FinCEN Memorandum (which is not law) which provides guidance with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the executive branch. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, we may have limited or no access to banking or other financial services in the United States.

In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. The FinCEN Memorandum states that in some circumstances, it may not be appropriate to prosecute banks that provide services to cannabis-related business for violations of federal money laundering laws. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum. While the United States House of Representatives has passed the SAFE Banking Act, which would permit commercial banks to offer services to cannabis companies that are in compliance with state law, it remains under consideration by the Senate, and if Congress fails to pass the SAFE Banking Act, the Company's inability, or limitations on the Company's ability, to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

### ***We may be subject to product liability claims.***

As Pure Sunfarms' cannabis products and Balanced Health's cannabinoid products are designed to be ingested by humans, we face a risk of exposure to product liability claims, regulatory action and litigation if these products are alleged to have caused significant loss or injury. In addition, the sale of these products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of our cannabis and cannabinoid products alone or in combination with other medications or substances could occur. As a result, we may be subject to various product liability claims, including, among others, that our products caused injury or illness or that we provided inadequate instructions for use or inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against us could result in increased costs, could adversely affect our reputation with our clients and consumers generally, and could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows. There can be no assurance that we will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of our potential products.

In addition, as a producer of food products, we are subject to potential product liabilities connected with our operations and the marketing and distribution of these products, including liabilities and expenses associated with contaminated or unsafe products. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of contaminated or unsafety products. There can be no assurance that the insurance against all such potential liabilities we maintain will be adequate in all cases. In addition, even if a product liability claim was not successful or was not fully pursued, the negative publicity surrounding any such assertion could harm our reputation. The consequences of any of the foregoing events may have a material adverse effect on our financial condition and results of operations.

### ***Our VF Hemp and Balanced Health businesses are subject to FDA and USDA regulation.***

CBD derived from hemp as defined in the 2018 Farm Bill is subject to various laws relating to health and safety. Specifically, CBD is governed by the U.S. Food Drug and Cosmetic Act ("FD&C Act") as a drug. The FD&C Act is intended to assure the consumer that drugs and devices are safe and effective for their intended uses and that all labeling and packaging is truthful, informative, and not deceptive. The FD&C Act and FDA regulations define the term drug by reference to its intended use, as "articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease" and "articles (other than food) intended to affect the structure or any function of the body of man or other animals." Therefore, almost any ingested or topical or injectable product that, through its label or labeling (including internet website, promotional pamphlets, and other marketing material), is claimed to be beneficial for such uses will be regulated by the FDA as a drug. The definition also includes components of drugs, such as active pharmaceutical ingredients. The FD&C Act defines cosmetics by their intended use, as "articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance." See FD&C Act, sec. 201(i). Among the products included in this definition are skin moisturizers, perfumes, lipsticks, fingernail polishes, eye and facial makeup preparations, cleansing shampoos, permanent waves, hair colors and deodorants, as well as any substance intended for use as a component of a cosmetic product. Under the FD&C Act, cosmetic products, and ingredients with the exception of color additives do not require FDA approval before they go on the market.

Drugs, however, must generally either receive premarket approval by the FDA through the New Drug Application (“NDA”) process or conform to a “monograph” for a particular drug category, as established by the FDA’s Over the Counter (“OTC”) Drug Review.

CBD is an active ingredient in drug products that have been approved or authorized for investigation by the FDA and therefore, under FDA’s current position, cannot be used in dietary supplements or as a food additive.

Laws and regulations governing the use of hemp in the U.S. are broad in scope, subject to evolving interpretations, and subject to enforcement by several regulatory agencies and law enforcement entities. Under the 2018 Farm Bill, a state that desires to have primary regulatory authority over the production of hemp in the state must submit a plan to monitor and regulate hemp production to the Secretary of the USDA. The Secretary must then approve the state plan after determining if the plan complies with the requirements set forth in the 2018 Farm Bill. The Secretary may also audit the state’s compliance with the federally approved plan. If the Secretary does not approve the state’s plan, then the production of hemp in that state will be subject to a plan established by the USDA. The USDA has not yet established such a plan. We believe that many states will seek to have primary regulatory authority over the production of hemp. States that seek such authority may create new laws and regulations that permit the use of hemp in food and beverages.

Federal and state laws and regulations on hemp may address production, monitoring, manufacturing, distribution, and laboratory testing to ensure that the hemp has a THC concentration of not more than 0.3%. Federal laws and regulations may also address the transportation or shipment of hemp or hemp products, as the 2018 Farm Bill prohibits states from prohibiting the transportation or shipment of hemp or hemp products produced in accordance with that law through the state, as applicable.

Violations of these FDA and USDA regulations, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operations, as well as adverse publicity and potential harm to our reputation.

***Changes in the laws, regulations and guidelines governing cannabis, U.S. hemp or CBD derived products may adversely impact our business.***

Our current operations are subject to various laws, regulations and guidelines administered by governmental authorities in the U.S and Canada relating to the marketing, acquisition, manufacture, packaging, labeling, management, transportation, storage, sale and disposal of cannabis or U.S. hemp but also including laws and regulations relating to health and safety, conduct of operations and the protection of the environment. Additionally, our growth strategy continues to evolve as regulations governing the cannabis, CBD and U.S. hemp in the jurisdictions in which we operate become more fully developed. Interpretation of these laws, rules and regulations and their application to our operations is ongoing. No assurance can be given that new laws, regulations and guidelines will not be enacted or that existing laws, regulations and guidelines will not be amended, repealed, interpreted or applied in a manner which could require extensive changes to our operations, increase compliance costs, give rise to material liabilities or a revocation of our licenses and other permits, restrict growth opportunities that we currently anticipate or otherwise limit or curtail our operations. Amendments to current laws, regulations and guidelines governing the production, sales and use of cannabis-based and CBD products, more stringent implementation of enforcement thereof or other unanticipated events, including changes in political conditions, regimes or political instability, currency controls, changes in taxation laws, restrictions on foreign exchange and repatriation between U.S. and Canada, governmental regulations relating to foreign investment and changes in the attitudes toward cannabis, are beyond our control and could require extensive changes to our operations, which in turn may result in a material adverse effect on our business, financial condition and results of operations.

**Tax Risk Factors**

***Changes in tax treatment of companies engaged in e-commerce may adversely affect the commercial use of our website and our financial results.***

On June 21, 2018, the Supreme Court of the United States overturned a prior decision under which e-commerce retailers had not been required to collect sales tax unless they had a physical presence in the buyer’s state. As a result of the *South Dakota v. Wayfair Inc.* ruling, a state may now enforce or adopt laws requiring e-commerce retailers to collect and remit sales tax even if the e-commerce retailer has no physical presence within the taxing state. In response, an increasing number of states have adopted or are considering adopting laws or administrative practices, that impose sales or similar value added or consumption taxes on e-commerce activity, as well as taxes on all or a portion of gross revenue or other similar amounts earned by an e-commerce retailer from sales to customers in the state. If any state were to assert liability for sales tax for prior periods and seek to collect such tax in arrears and/or impose penalties for past non-payment of taxes, it could have an adverse effect on us. New legislation or regulations, the application of laws and regulations from jurisdictions, including other countries whose laws do not currently apply to our business, or the application of existing laws and regulations to the Internet and commercial online services could similarly result in significant additional taxes on our business. These taxes or tax collection obligations could have an adverse effect on us, including by way of creating additional administrative burdens on us. As a result, our effective income tax rate as well as the cost and growth of our business could be materially and adversely affected, which could in turn have a material adverse effect on our financial condition and results of operations. Furthermore, there is a possibility that we may be subject to significant fines or other payments for any failures to comply with these requirements.

We are also subject to U.S. federal and state laws, regulations, and administrative practices that require us to collect information from our customers, vendors, merchants, and other third parties for tax reporting purposes and report such information to various government agencies. The scope of such requirements continues to expand, requiring us to develop and implement new compliance systems. Failure to comply with such laws and regulations could result in significant penalties. We cannot predict the effect of current attempts to impose sales, income or other taxes on e-commerce. New or revised taxes would likely increase the cost of doing business online and decrease the attractiveness of selling products over the Internet. New taxes could also create significant increases in internal costs necessary to capture data and collect and remit taxes. Any of these events could have a material adverse effect on our business, financial condition, and results of operations.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

### Repurchases of Equity Securities

The following table represents information with respect to purchases by the Company of its Common Shares during the three months ended September 30, 2021.

#### ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share <sup>(1)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans <sup>(1)</sup>	Maximum Number of Shares that May Yet Be Purchased Under the Plans <sup>(2)</sup>
July 2021	107,955	\$ 9.45	107,955	3,526,257
August 2021	—	\$ -	—	3,526,257
September 2021	—	\$ -	—	3,526,257
Total Q3 2021	107,955	\$ 9.45	107,955	3,526,257

(1) Includes the Common Shares repurchased and cancelled under the May 2021 normal course issuer bid (“NCIB”) notice as described below in (2).

(2) On May 21, 2021, the Company announced that the TSX accepted a notice filed by the Company of its intention to make a NCIB. The NCIB notice provides that Village Farms may, during the period commencing May 26, 2021 and terminating May 25, 2022, purchase up to 4,062,309 of its Common Shares by way of a NCIB over the facilities of the TSX, The NASDAQ Stock Market LLC and/or through alternative trading systems in Canada and the United States. Daily purchases are limited to 233,243 Common Shares, other than block purchase exceptions. The amounts shown in this column represent the maximum number of Common Shares remaining under the NCIB as of the end of each month. Shareholders may obtain a copy of the NCIB notice, without charge, by contacting Village Farms.

## Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this report:

Exhibit Number	Description of Document
2.1	<a href="#">Membership Interest Purchase Agreement by and among Village Farms International, Inc., Balanced Health Botanicals, LLC and the Members of Balanced Health Botanicals, LLC, dated August 16, 2021.</a>
31.1	<a href="#">Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	The cover page for the Company’s Quarterly Report on Form 10-Q has been formatted in Inline XBRL and contained in Exhibit 101

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

### **VILLAGE FARMS INTERNATIONAL, INC.**

By: /s/ Stephen C. Ruffini

Name: Stephen C. Ruffini

Title: Executive Vice President and Chief Financial Officer

(Authorized Signatory and Principal Financial and  
Accounting Officer)

Date: November 9, 2021

MEMBERSHIP INTEREST PURCHASE AGREEMENT

by and among

VILLAGE FARMS INTERNATIONAL, INC.,

BALANCED HEALTH BOTANICALS, LLC

AND

THE MEMBERS OF BALANCED HEALTH BOTANICALS, LLC

AS SET FORTH ON SCHEDULE A

Dated August 16, 2021

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## MEMBERSHIP INTEREST PURCHASE AGREEMENT

This Membership Interest Purchase Agreement (this “Agreement”) is entered into on August 16, 2021, by and among Village Farms International, Inc. a Canadian federal corporation (“Buyer”), Balanced Health Botanicals, LLC, a Colorado limited liability company (the “BHB”), and the members of BHB as set forth on Schedule A hereto (each a “Seller” and, collectively, the “Sellers”). Buyer, BHB, and each Seller are referred to collectively herein as the “Parties” and individually as a “Party”. Unless otherwise expressly set forth herein, the capitalized terms used herein shall have the definitions set forth in ARTICLE 9.

### PRELIMINARY STATEMENT

Sellers collectively own all of the outstanding equity interests of BHB (collectively, the “Target Securities”). BHB owns all of the outstanding equity interests in each of the Subsidiaries of BHB as set forth on Schedule B (each a “Company”, collectively the “Companies” or the “Company Group”). Sellers desire to sell to Buyer the Target Securities and Buyer desires to purchase from Sellers all (but not less than all) of the Target Securities, upon the terms and subject to the conditions set forth in this Agreement. The acquisition of the Target Securities shall be effected through the purchase thereof by Buyer, with cash funded by Buyer and Buyer Shares issued by Buyer.

### AGREEMENT

Now, therefore, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows.

### ARTICLE 1

#### PURCHASE AND SALE OF TARGET SECURITIES

1.1 Basic Transaction. In accordance with the terms and upon the conditions of this Agreement, at the Closing, Sellers shall (a) sell to Buyer and transfer, assign, convey and deliver to Buyer all right, title and interest in and to all of the Target Securities, free and clear of all Liens, and (b) Buyer shall purchase, and shall accept delivery of and acquire from Sellers, all right, title and interest in and to all of the Target Securities, free and clear of all Liens.

1.2 Purchase Price. The purchase price (the “Purchase Price”) for the Target Securities shall consist of:

(a) Cash in an amount equal to (i) Thirty Million Dollars (\$30,000,000.00 USD), minus (iv) the Debt Amount, minus (v) the Transaction Expenses Balance, minus (vi) the Working Capital Deficit, if any, and minus (viii) the Representative Expense Fund Amount (collectively, the “Cash Payment”), all as subject to adjustment as provided in this ARTICLE 1; and

(b) 4,707,113 Buyer Shares (the “Equity Consideration”), which the Parties acknowledge to be an amount of Buyer Shares equal to Forty-Five Million Dollars

(\$45,000,000.00 USD) divided by the price per Buyer Share calculated based on the volume weighted average trading price of the Buyer Shares on Nasdaq for the ten (10) trading days ending one Business Day prior to the Closing Date.

1.3 Estimated Cash Payment. Seller Representative has delivered to Buyer (a) a certificate signed by the Seller Representative setting forth Sellers' best estimate of the Debt Amount, Transaction Expenses Balance, Working Capital as of the Closing Date, the Working Capital Deficit, if any, the Representative Expense Fund Amount in each case as of the Closing Date and, based on such estimates, a calculation of the Cash Payment (the "Estimated Cash Payment") and (b) all records and work papers necessary to compute and verify the information set forth in such certificate.

1.4 Payments and Buyer Shares.

(a) Closing Cash Payments. At the Closing, Buyer shall:

(i) pay the Estimated Cash Payment to Sellers pursuant to Section 1.4(d), less the Indemnity Holdback and the Adjustment Holdback.

(ii) pay the Debt Amount, if any, pursuant to the payoff letters delivered by Seller Representative to Buyer pursuant to Section 5.1(i);

(iii) pay the Transaction Expenses Balance pursuant to the direction of Seller Representative;

(iv) deposit the Indemnity Holdback by wire transfer of immediately available funds into an account designated by the Escrow Agent (the "Escrow Account");

(v) deposit the Representative Expense Fund Amount by wire transfer of immediately available funds into the Representative Expense Fund; and

(vi) retain the Adjustment Holdback.

(b) Payment of Equity Consideration. At the Closing, Buyer shall issue the Equity Consideration to Sellers according to their respective Pro Rata Shares evidenced by restricted DRS advice statements from Buyer's transfer agent (or Buyer shall alternatively provide evidence to Sellers of a signed and delivered irrevocable treasury direction of Buyer to its transfer agent to promptly issue such restricted DRS advice statements to Sellers) and such Buyer Shares shall remain Restricted Shares with the applicable legend(s) (as specified in Sections 2.1(g) and 2.1(h)) and a stop order placed thereon until the later of the date on which (i) the legend(s) thereon have been removed (or have expired) in accordance with the terms thereof (including, for the avoidance of doubt, in connection with an effective Registration Statement) and (ii) they are no longer Restricted Shares.

(c) Cash Payment Adjustment. Within five (5) Business Days after the Cash Payment becomes final and binding in accordance with Section 1.5:

(i) if the Cash Payment exceeds the Estimated Cash Payment, then such excess shall be paid by Buyer to Sellers in cash, and the Adjustment Holdback shall be released to Sellers pursuant to Section 1.4(d); or

(ii) if the Estimated Cash Payment exceeds the Cash Payment, then such excess shall be paid by Sellers, first from the Adjustment Holdback and then, if the Adjustment Holdback is not sufficient to cover such difference, then directly from Sellers to Buyer in cash pursuant to their respective Pro Rata Shares. In the event that a portion of the Adjustment Holdback remains subsequent to an adjustment pursuant to this Section 1.4(c)(ii), then any remaining amounts of the Adjustment Holdback shall be paid in cash to Sellers pursuant to Section 1.4(d).

(d) Payments. All payments to Sellers pursuant to this Section 1.4 shall be made by wire transfer of immediately available funds to an account or accounts designated by Seller Representative in writing in accordance with such Seller's Pro Rata Share. Seller Representative shall be responsible for ensuring the accuracy of all applicable Pro Rata Shares and wire instructions for the Members. All payments, if any, to Buyer pursuant to this Section 1.4 shall be made by wire transfer of immediately available funds to an account designated by Buyer in writing.

1.5 Cash Payment Determination. Within sixty (60) days after the Closing Date, Buyer may, but shall not be required to, prepare and deliver to Seller Representative (a) a statement setting forth Buyer's calculation of the Working Capital as of the Closing Date, the Working Capital Deficit, if any, and Debt Amount, Transaction Expenses Balance, the Representative Expense Fund Amount, and the Cash Payment (the "Closing Statement"), and (b) all records and work papers reasonably necessary, in the determination of Buyer, to compute and verify the information set forth in the Closing Statement to the extent such records and work papers differ from the ones previously delivered to Buyer. If Seller Representative, on behalf of Sellers, has any objections to the Closing Statement prepared by Buyer, then Seller Representative will deliver a detailed written statement (the "Objections Statement") describing (a) which items on the Closing Statement have not been prepared in accordance with this Agreement, (b) the basis for Sellers' disagreement with the calculation of such items, and (c) Sellers' proposed dollar amount for each item in dispute, to Buyer within thirty (30) days after delivery of the Closing Statement. If Seller Representative fails to deliver an Objections Statement within such thirty (30) day period, then the Closing Statement shall become final and binding on all Parties. Sellers shall be deemed to have agreed with all amounts and items contained or reflected in the Closing Statement to the extent such amounts or items are not disputed in the Objections Statement. If Seller Representative delivers an Objections Statement within such thirty (30) day period, then Sellers and Buyer will use commercially reasonable efforts to resolve any such disputes, but if a final resolution is not obtained within thirty (30) days after Seller Representative has submitted any Objections Statements, any remaining matters which are in dispute will be resolved by RSM US LLP (the "Accountants"). The Accountants will prepare and deliver a written report to Buyer and Seller Representative and will submit a proposed resolution of such unresolved disputes promptly, but in any event within thirty (30) days after the dispute is submitted to the Accountants. The Accountants' determination of such unresolved disputes will be final and binding upon all Parties; provided, however, that no such determination shall be any more favorable to Buyer than is set forth in the Closing Statement or any more favorable to Sellers than is proposed in the Objections

Statement. The costs, expenses and fees of the Accountants shall be borne by the Party whose calculation of the Cash Payment has the greatest difference from the final Cash Payment as determined by the Accountants under this Section 1.5; otherwise, such costs, fees and expenses shall be borne equally by Buyer, on the one hand, and Sellers, pursuant to their Pro Rata Shares, on the other hand. The final Closing Statement, however determined pursuant to this Section 1.5, will produce the Working Capital Deficit, if any, Debt Amount, and Transaction Expenses Balance to be used to determine the final Cash Payment. If Buyer does not prepare a Closing Statement within sixty (60) days of the Closing Date, then the certificate provided by the Seller Representative pursuant to Section 1.3 shall be determinative of the final Cash Payment calculation.

1.6 Calculations. All calculations of Working Capital under this Agreement, whether estimates or otherwise, shall be determined in accordance with GAAP, consistently applied, specifically including any calculations or adjustments required by ASC 842 for a “public business entity” as defined therein.

1.7 Closing. The closing of the transactions contemplated by this Agreement (the “Closing”) shall occur via electronic exchange of executed documents on the date hereof (the “Closing Date”). All transactions contemplated herein to occur on and as of the Closing Date shall be deemed to have occurred simultaneously and to be effective as of 12:00 a.m. eastern time on such date (the “Effective Time”). At the Closing, the Parties shall make all of the deliveries set forth in ARTICLE 5.

1.8 Withholding. The Parties and any other applicable withholding agent will be entitled to deduct and withhold from any amounts payable pursuant to or as contemplated by this Agreement any Taxes or other amounts required under the Code or any applicable Law to be deducted and withheld, and, to the extent that any amounts are so deducted or withheld, such amounts will be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made.

1.9 Allocation. The Parties agree that the Purchase Price (as adjusted herein), as increased by the liabilities of the Companies as of the Closing Date (to the extent properly taken into account pursuant to the provisions of Section 1060 of the Code, and any other items constituting consideration (to the extent known at such time) for applicable income Tax purposes pursuant to the provisions of Section 1060 of the Code), shall be allocated for income Tax purposes among the assets of the Companies in accordance with the methodology set forth on Schedule 1.9 (the “Allocation”). Each of Buyer and each Seller shall prepare and file all of their respective Tax Returns in a manner consistent with the Allocation and shall not agree to any proposed settlement or adjustment with respect thereto with any taxing authority unless required to do so by applicable Law.

## ARTICLE 2

### REPRESENTATIONS AND WARRANTIES OF SELLERS AND BUYER

2.1 Representations and Warranties of Seller. Each Seller, severally, and not jointly, represents and warrants to Buyer that the statements contained in this Section 2.1 are correct and complete as of the Closing Date as to such Seller (each, as applicable, a “Seller Party”):

(a) Organization, Qualification, and Power. Seller is a limited liability company, duly incorporated or organized, validly existing, and in good standing under the Laws of jurisdiction of its formation. Seller has full limited liability company power and authority and all Permits necessary to carry on the business in which Seller is engaged and to own, lease and use the properties owned, leased and used by Seller. Seller has delivered to Buyer correct and complete copies of Seller’s Organizational Documents. Seller is not in default under or in violation of any provision of its Organizational Documents.

(b) Authorization of Contemplated Transactions. Seller Party, has full power, authority and legal capacity to execute and deliver this Agreement and each Ancillary Agreement to which such Seller Party is a party and to perform such Seller Party’s obligations hereunder and thereunder. This Agreement constitutes the valid and legally binding obligation of such Seller Party, enforceable against it in accordance with the terms of this Agreement, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar Laws affecting the rights of creditors generally and the availability of equitable remedies. Upon the execution and delivery by Seller Party of each Ancillary Agreement to which such Seller Party is a party, such Ancillary Agreement will constitute the valid and legally binding obligation of such Seller Party, enforceable against such Seller Party in accordance with the terms of such Ancillary Agreement, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar Laws affecting the rights of creditors generally and the availability of equitable remedies. Seller Party is not required to give any notice to, make any filing with, or obtain any Consent of any Governmental Body or any other Person in order to consummate the transactions contemplated by this Agreement or the Ancillary Agreements to which such Seller Party is a party.

(c) Non-contravention. Neither the execution and the delivery of this Agreement nor the Ancillary Agreements to which Seller Party is a party, nor the consummation of the transactions contemplated hereby and thereby, will (i) violate any provision of the Organizational Documents of Seller, (ii) violate or conflict with any Law or Order to which Seller Party is subject, (iii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any Contract to which Seller Party is a party or by which he is bound or to which any of his assets is subject, or (iv) result in the imposition or creation of a Lien upon or with respect to the Target Securities.

(d) Brokers’ Fees. Except as listed in Section 3.5 of the Disclosure Schedule, Seller Party has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement or any Ancillary Agreement.

(e) Target Securities. Seller holds of record and owns beneficially all of the Target Securities set forth next to such Seller's name on Schedule A free and clear of any Liens. Seller is not a party to any option, warrant, purchase right, or other Contract or commitment that could require Seller to sell, transfer, or otherwise dispose of any Target Securities (other than this Agreement). Seller is not a party to any voting trust, proxy, or other Contract with respect to the voting of any Target Securities. On the Closing Date, upon payment of the Estimated Cash Payment (less the Indemnity Holdback and the Adjustment Holdback) and delivery of the Equity Consideration in accordance with Section 1.4(a) and Section 1.4(b), the Target Securities of such Seller will be acquired by Buyer free and clear of all Liens, and Buyer will have good, valid and marketable title to the Target Securities of such Seller.

(f) Ancillary Agreements. Seller Party has reviewed all Ancillary Agreements and had the opportunity to ask questions and receive answers concerning the terms, conditions and provisions of such Ancillary Agreements. Seller Party has had full access to such information and materials concerning Buyer as Seller Party has requested. Buyer has answered all inquiries that Seller Party has made to Buyer relating to Buyer, or the sale of the Buyer Shares under this Agreement and the Ancillary Agreements.

(g) U.S. Securities Regulation. Seller Party is acquiring the Buyer Shares to be issued to Seller Party in connection with this Agreement for Seller Party's own account, and such Buyer Shares are being and will be acquired by Seller Party for the purpose of investment and not with a view to resale in connection with a distribution thereof in violation of the Securities Act. Seller Party has had an opportunity to ask questions of and receive answers from the authorized representatives of Buyer and to review relevant documents and records concerning the business of Buyer and the terms and conditions of this investment in the Buyer Shares. Seller Party acknowledges that it has been called to Seller Party's attention that this investment may involve a high degree of risk. Seller Party acknowledges that Seller Party can bear the economic risks of Seller Party's investment in the Buyer Shares and that Seller Party has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of this investment in the Buyer Shares and protecting Seller Party's own interests in connection with this investment. Seller Party hereby represents and warrants to Buyer that Seller Party is an "accredited investor" as such term is defined under Section 501(a) of Regulation D promulgated under the Securities Act. Seller Party understands that the Buyer Shares to be issued in connection with the transactions contemplated hereby may not be transferred or sold except pursuant to the registration provisions of the Securities Act or pursuant to an applicable exemption therefrom. All certificates issued in respect of or exchange for the Buyer Shares that may be issued hereunder shall bear a legend (and Buyer will make a notation on its transfer books to such effect) prominently stamped or printed thereon reading substantially as follows, or the substance of which will otherwise be reflected on the books and records of the transfer agent of the Buyer Shares with respect to book-entry shares:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR ANY U.S. STATE SECURITIES LAWS. THE HOLDER HEREOF AGREES FOR THE BENEFIT OF VILLAGE FARMS INTERNATIONAL, INC. (THE



“CORPORATION”) THAT THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT, (B) IN ACCORDANCE WITH (1) RULE 144A OR (2) RULE 144 UNDER THE U.S. SECURITIES ACT, IF AVAILABLE, OR (C) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT, AND IN EACH CASE, IN COMPLIANCE WITH ANY APPLICABLE U.S. STATE SECURITIES LAWS; PROVIDED THAT TRANSFERS UNDER CLAUSE (B)(2) OR (C) SHALL BE PERMITTED ONLY AFTER THE HOLDER HAS FURNISHED TO THE CORPORATION (AND IF APPLICABLE, THE CORPORATION’S TRANSFER AGENT) AN OPINION OF COUNSEL OF RECOGNIZED STANDING OR OTHER EVIDENCE REASONABLY SATISFACTORY TO THE CORPORATION THAT SUCH EXEMPTION(S) FROM REGISTRATION ARE AVAILABLE.”

(h) Canadian Securities Regulation.

(i) Seller Party (A) acknowledges that the Equity Consideration has not been qualified for distribution to the public in Canada, (B) represents and warrants that it is not a resident of Canada nor acting for the account or benefit of a Canadian resident or Person in Canada, (C) acknowledges that the Equity Consideration was not offered to Seller Party in Canada, (D) represents and warrants that Seller Party was, at the time of agreeing to purchase the Equity Consideration, and will be at Closing, located outside of Canada, and (E) represents and warrants that Seller Party is purchasing the Equity Consideration hereunder as principal;

(ii) During the Canadian Restricted Period, all certificates issued in respect of or exchange for the Equity Consideration that may be issued hereunder shall bear a legend (and Buyer will make a notation on its transfer books to such effect) prominently stamped or printed thereon reading substantially as follows, or the substance of which will otherwise be reflected on the books and records of the transfer agent of the Buyer Shares with respect to book-entry shares:

“UNLESS PERMITTED UNDER CANADIAN SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE December 17, 2021.”;

(iii) Seller Party acknowledges, agrees and covenants with the Buyer and also in favor of Buyer that once the resale of the Equity Consideration is registered with the SEC and the related registration statement of Buyer (including, but not limited to, the Registration Statement as contemplated in Section 4.5) has become effective with the SEC, Seller Party will only distribute the Equity Consideration during the period that is four months from the Closing Date either (i) to a purchaser that is not resident in Canada, or (ii)

on or through the facilities of an exchange or market outside Canada where the Seller Party has no reason to believe that the purchaser is resident in Canada; and

(iv) Seller Party acknowledges that Buyer will be required to file a report of exempt distribution with applicable Canadian securities regulatory authorities in respect of the issuance of the Equity Consideration and that Seller Party's name, address, telephone number and other specified information, including the aggregate price per share, may be shared and disclosed among all Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable legislation and Seller Party consents to the disclosure of such information.

2.2 Representations and Warranties of Buyer. Buyer represents and warrants to each Seller that the statements contained in this Section 2.2 are correct and complete as of the Closing Date.

(a) Organization of Buyer. Buyer is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its formation, and has all requisite power and authority to own, lease and operate its assets, properties and business and to carry on its business as now being conducted. Buyer is duly qualified or otherwise authorized as a foreign entity to transact business in each jurisdiction in which its ownership of property or the conduct of business as now conducted therein requires it to so qualify, except where the failure to be so qualified would not materially impact its business. Complete and correct copies of the Organizational Documents of Buyer and all amendments thereto have been made available to the Sellers. Buyer is not in material violation of any of the provisions of its Organizational Documents.

(b) Authorization of Contemplated Transactions. Buyer has full power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it is a party and to perform its obligations hereunder and thereunder. This Agreement constitutes the valid and legally binding obligation of Buyer, enforceable against it in accordance with the terms of this Agreement, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar Laws affecting the rights of creditors generally and the availability of equitable remedies. Upon the execution and delivery by Buyer of each Ancillary Agreement to which it is a party, such Ancillary Agreement will constitute the valid and legally binding obligation of Buyer, enforceable against it in accordance with the terms of such Ancillary Agreement, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar Laws affecting the rights of creditors generally and the availability of equitable remedies. Except as required to comply with applicable federal and state securities Laws and as set forth in this Agreement, Buyer is not required to give any notice to, make any filing with, or obtain any Consent of any Governmental Body in order to consummate the transactions contemplated by this Agreement or the Ancillary Agreements to which Buyer is a party. The execution, delivery and performance of this Agreement and each Ancillary Agreement to which Buyer is a party have been duly authorized by Buyer.

(c) Non-contravention. Neither the execution and the delivery of this Agreement nor the Ancillary Agreements to which Buyer is a party, nor the consummation of the transactions contemplated hereby and thereby, will (i) violate any provision of the Organizational Documents of Buyer, (ii) violate or conflict with any Law or Order to which Buyer is subject, or

(iii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any Contract to which Buyer is a party or by which it is bound or to which any of its assets is subject.

(d) SEC Reports. Buyer has timely filed all forms, reports, schedules, statements and other documents required to be filed by Buyer with the SEC since January 1, 2021 (collectively, the “Buyer SEC Reports”) under the Securities Exchange Act, together with any amendments, restatements or supplements thereto. As of the time it was filed with the SEC (or, if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing), each of the Buyer SEC Reports complied in all material respects with the applicable requirements of the Securities Exchange Act, including the rules and regulations promulgated thereunder, and none of the Buyer SEC Reports at the time they were filed, or if amended or superseded by a filing prior to the date of this Agreement, on the date of the last such amendment or superseding filing prior to the date of this Agreement, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The certifications and statements required by (A) Rule 13a-14 or 15d-14 promulgated under the Securities Exchange Act and (B) 18 U.S.C. §1350 (Section 906 of the Sarbanes-Oxley Act) relating to any Buyer SEC Reports (collectively, the “Certifications”) are accurate and complete and comply as to form and content with all applicable legal requirements, and no current or former executive officer of Buyer has failed to make the Certifications required of him or her. Buyer has made available to the Company true and complete copies of all correspondence, other than transmittal correspondence, between the SEC, on the one hand, and Buyer, on the other, since January 1, 2021, including all SEC comment letters and responses to such comment letters and responses to such comment letters by or on behalf of Buyer. As of the date of this Agreement, there are no outstanding or unresolved comments in comment letters received from the SEC or Nasdaq with respect to Buyer SEC Reports. To the Knowledge of Buyer, none of Buyer SEC Reports are the subject of ongoing SEC review and there are no inquiries or investigations by the SEC or any internal investigations pending or threatened, including with regards to any accounting practices of Buyer. As used in this Section 2.2(d), the term “file” shall be broadly construed to include any manner in which a document or information is furnished, supplied or otherwise made available to the SEC.

(e) Financial Statements. The financial statements (including any related notes) contained or incorporated by reference in the Buyer SEC Reports: (i) complied as to form in all material respects with the published rules and regulations of the SEC applicable thereto; (ii) were prepared in accordance with GAAP (except as may be indicated in the notes to such financial statements or, in the case of unaudited financial statements, as permitted by Form 10-Q of the SEC, and except that the unaudited financial statements may not contain footnotes and are subject to normal and recurring year-end adjustments that are not reasonably expected to be material in amount) applied on a consistent basis unless otherwise noted therein throughout the periods indicated; and (iii) fairly present the consolidated financial position of Buyer and the Buyer’s Subsidiaries as of the respective dates thereof and the results of operations and cash flows of Buyer for the periods covered thereby. Other than as expressly disclosed in the Buyer SEC Reports filed prior to the date hereof, there has been no material change in Buyer’s accounting methods or principles that would be required to be disclosed in Buyer’s financial statements in accordance

with GAAP. The books of account and other financial records of Buyer and Buyer's Subsidiaries are true and complete in all material respects. Buyer has designed and maintains a system of internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act, sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

(f) Accounting Practices. Since January 1, 2018, neither Buyer nor, to the Knowledge of Buyer, any manager, director, officer or employee of Buyer has received any written complaint, allegation, assertion or claim from any Governmental Body regarding the accounting or auditing practices, procedures, methodologies or methods of Buyer or its internal accounting controls, including any complaint, allegation, assertion or claim that Buyer has engaged in questionable accounting or auditing practices.

(g) Absence of Undisclosed Liabilities. Except as and to the extent reflected or reserved against in the Buyer Financials, to the Knowledge of Buyer, Buyer has not incurred any material liabilities or obligations of the type required to be reflected on a balance sheet in accordance with GAAP that is not adequately reflected or reserved on or provided for in the Buyer Financials, other than liabilities of the type required to be reflected on a balance sheet in accordance with GAAP that have been incurred in the ordinary course of business consistent with past practice.

(h) Litigation. There is no Proceeding pending, or, to the Knowledge of Buyer, threatened against Buyer or any of its subsidiaries or any of their respective properties, rights or assets or, any of their respective officers, directors, partners, managers or members (in their capacities as such) that could adversely affect Buyer's business or results of operation in a material manner. There is no Order binding against Buyer, any of its subsidiaries or any of their respective properties, rights or assets or any of their respective officers, directors, partners, managers or members (in their capacities as such) that would prohibit, prevent, enjoin, restrict or alter or delay any of the transactions contemplated by this Agreement or could adversely affect Buyer's business or results of operation in a material manner.

(i) Legal Compliance. Buyer and each of its Subsidiaries, predecessors and other Affiliates, and each of their respective current and former directors, officers, managers, and employees, in the course of their respective duties, have at all times materially complied and are in material compliance with all applicable Laws and Orders as are applicable to Buyer and each such entities' business, affairs and operations, including Laws and Orders applicable to the cultivation of hemp and cannabis, the extraction of CBD and tetrahydrocannabinol, and the manufacturing, transportation, distribution, advertisement, and sale of CBD Products and products containing any tetrahydrocannabinol, and no Proceeding has been filed or commenced and remains pending or, to the Knowledge of Buyer, is threatened alleging any failure so to comply. To the Knowledge of Buyer, neither Buyer nor any of its Subsidiaries, predecessors and other Affiliates has received any notice or communication from any Governmental Body alleging any non-compliance of the foregoing.

(j) Nasdaq Listing. The Buyer Shares are listed for trading on the Nasdaq. Except as set forth in the Buyer SEC Reports, there is no action or proceeding pending or, to the

Knowledge of Buyer, threatened against Buyer by the Nasdaq with respect to any intention by such entity to prohibit or terminate the listing of the Buyer Shares on the Nasdaq.

(k) Brokers' Fees. Buyer does not have any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which any Seller could become liable or obligated.

(l) Investment. Buyer is not acquiring the Target Securities with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act.

### ARTICLE 3

#### REPRESENTATIONS AND WARRANTIES CONCERNING THE COMPANIES

The Sellers, jointly and severally, represent and warrant to Buyer that the statements contained in this ARTICLE 3 are correct and complete as of the Closing Date.

3.1 Organization, Qualification, and Power. Section 3.1(a) of the Disclosure Schedule sets forth the jurisdiction of incorporation or formation of each Company and each state or other jurisdiction in which such Person is licensed or qualified to do business. Each Company is duly organized, validly existing, and in good standing under the Laws of its jurisdiction of incorporation or formation. Each Company is duly authorized to conduct their business and are in good standing under the Laws of each jurisdiction where such qualification is required. Each Company has full corporate power and authority and all Permits necessary to carry on the businesses in which it is engaged and to own, lease and use the properties owned, leased and used by them. Section 3.1(b) of the Disclosure Schedule lists the board of directors, managers, management board and officers, as the case may be, of each Company. Sellers have delivered to Buyer correct and complete copies of the Organizational Documents, the minute book and equity record books for each Company, each of which is correct and complete. No Company is in default under or in violation of any provision of their Organizational Documents. All actions of each Company have been duly authorized, approved, and taken in accordance with the Organizational Documents of such Company.

3.2 Authorization of Contemplated Transactions. BHB has full power, authority and legal capacity to execute and deliver this Agreement and the Ancillary Agreements to which it is a party and to perform its obligations hereunder and thereunder. The execution and delivery by BHB of this Agreement and the Ancillary Agreements to which it is a party and the performance by BHB of the transactions contemplated hereby and thereby have been duly approved by all requisite limited liability company action of BHB. This Agreement constitutes the valid and legally binding obligation of BHB, enforceable against it in accordance with the terms of this Agreement, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar Laws affecting the rights of creditors generally and the availability of equitable remedies. Upon the execution and delivery by BHB of each Ancillary Agreement to which it is a party, such Ancillary Agreement will constitute the valid and legally binding obligation of BHB, enforceable against it in accordance with the terms of such Ancillary Agreement, except as enforcement may be limited by applicable bankruptcy, insolvency,

reorganization, moratorium and other similar Laws affecting the rights of creditors generally and the availability of equitable remedies.

### 3.3 Capitalization and Subsidiaries.

(a) All of the Target Securities are owned beneficially and of record by Sellers in proportion to the Pro Rata Shares. The Target Securities represent 100% of the outstanding equity or other ownership interests in BHB. All of the Target Securities have been duly authorized, are validly issued, fully paid, and have no requirement of additional capital contributions and have been issued without violation of any preemptive right or other right to purchase. Sellers have good and indefeasible title to all of the Target Securities free and clear of all Liens. There are no other equity or other ownership interests in any Company, or outstanding securities convertible or exchangeable into equity or other ownership interests of any Company, and there are no options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, calls, puts, rights of first refusal or other Contracts that could require any Company to issue, sell or otherwise cause to become outstanding or to acquire, repurchase or redeem equity or other ownership interests in any Company. Section 3.3(b) of the Disclosure Schedule sets forth all of the outstanding or authorized equity appreciation, phantom equity, profit participation, payments triggered by a change of control of any Company or the occurrence of the transactions contemplated by this Agreement, or similar rights with respect to any Company in effect immediately prior to the Closing, all of which will be terminated and of no further force or effect as of the Closing. There are no voting trusts, proxies, or other Contracts with respect to the voting of the stock or other ownership interests of any Company. Upon consummation of the transactions contemplated hereby, Buyer will be the sole owner, beneficially and of record, of 100% of the issued and outstanding equity interests of BHB, free and clear of any Liens.

(b) All of the Subsidiaries, direct and indirect, of BHB are listed in Section 3.3(b) of the Disclosure Schedule. Section 3.3(b) of the Disclosure Schedule lists the entire authorized stock or other ownership interests of each such Subsidiary and the record and beneficial owner of such stock or other ownership interests, all of which have been duly authorized, are validly issued, fully paid and non-assessable and have been issued without violation of any preemptive right or other right to purchase. BHB owns, directly or indirectly, all of the stock or other ownership interests of the Subsidiaries listed in Section 3.3(b) of the Disclosure Schedule, free and clear of all Liens. No Company or Subsidiary of any Company owns any other stock or other ownership interests in any Person other than as listed on Section 3.3(b) of the Disclosure Schedule, and there are no outstanding securities convertible or exchangeable into stock or other ownership interests of any Subsidiary of any Company, and there are no options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, calls, puts, rights of first refusal or other Contracts that could require any such Subsidiary to issue, sell or otherwise cause to become outstanding or to acquire, repurchase or redeem stock or other ownership interests in any such Subsidiary. There are no outstanding or authorized equity appreciation, phantom appreciation, profit participation, or similar rights with respect to any Subsidiary listed on Section 3.3(b) of the Disclosure Schedule. There are no voting trusts, proxies, or other Contracts with respect to the voting of the stock or other ownership interests of any such Subsidiary.

3.4 Non-contravention. Except as listed in Section 3.4 of the Disclosure Schedule, neither the execution and the delivery of this Agreement nor the Ancillary Agreements to which

BHB is a party, nor the consummation of the transactions contemplated hereby or thereby, will (a) violate or conflict with any Law or Order to which any Company or any of the assets used by the Business is subject, (b) violate or conflict with any provision of the Organizational Documents of any Company, or (c) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or payment under any Contract, Permit, instrument, or other arrangement to which any Company is a party or by which it is bound or to which any of its assets is subject (or result in the imposition of any Lien upon any of its assets). Section 3.4 of the Disclosure Schedule sets forth each notice, filing, Consent, or Permit to or from any Governmental Body or other Person that BHB or any other Company is required to give, make, or obtain in order to consummate the transactions contemplated by this Agreement or the Ancillary Agreements to which BHB is a party.

3.5 Brokers' Fees. Except as listed in Section 3.5 of the Disclosure Schedule, no Company has any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

3.6 Assets.

(a) The Company Group has good and marketable title to, or a valid leasehold interest or license in, the properties and assets (tangible and intangible) used by them, located on their premises, or shown on the Most Recent Balance Sheet or acquired after the date thereof, other than inventory sold in the Ordinary Course of Business, free and clear of all Liens, except for Permitted Liens.

(b) The buildings, machinery, equipment, and other tangible assets that the Company Group owns and leases are free from material defects (patent and latent), have been maintained in accordance with normal industry practice, and are in good operating condition and repair (subject to normal wear and tear) and are suitable for the purposes for which they are presently used. The inventory of the Company Group (i) does not include any items that are obsolete or of a quantity or quality not usable or salable in the Ordinary Course of Business and (ii) includes only items sold by the Company Group in the Ordinary Course of Business in the conduct of the Business. The inventory disposed of subsequent to the date of the Most Recent Fiscal Year End has been disposed of only in the Ordinary Course of Business. The assets, properties and rights owned by the Company Group are all the assets, properties and rights used by the Company Group in the operation of the Business or necessary to operate the Business (both actual and intended), consistent with past practice, and prior to or at the Closing, all of the assets of the Company Group will be owned by a Company, free and clear of all Liens, except for Permitted Liens.

3.7 Financial Statements.

(a) Attached to Section 3.7(a) of the Disclosure Schedule are correct and complete copies of the following financial statements of BHB (collectively, the "Financial Statements"): (i) audited consolidated balance sheets, statements of income, stockholders' equity, and cash flows as of and for the fiscal years ended December 31, 2019 and December 31, 2020 (the "Most Recent Fiscal Year End"); and (ii) unaudited consolidated balance sheets, statements

of income, stockholders' equity, and cash flows (the "Most Recent Financial Statements") as of and for the six (6) month period ended June 30, 2021 (the "Most Recent Fiscal Month End"). The Financial Statements are correct and complete and consistent with the books and records of each Company (which are in turn correct and complete), have been prepared in accordance with GAAP consistently applied, and presented fairly in all material respects the financial condition, results of operation, changes in equity and cash flow of the Company Group as of and for their respective dates and for the periods then ending; provided, however, that the Most Recent Financial Statements are subject to normal, recurring year-end adjustments (none of which will be material individually or in the aggregate).

(b) Since the Most Recent Fiscal Year End, the business of the Company Group has been conducted in the Ordinary Course of Business, and there has not been any Material Adverse Change and no event has occurred which could reasonably be expected to result in a Material Adverse Change. Without limiting the generality of the foregoing, since the Most Recent Fiscal Year End, except as listed in Section 3.7(b) of the Disclosure Schedule no Company has:

(i) sold, leased, transferred or assigned any assets or property (tangible or intangible) with a value in excess of One Hundred Thousand Dollars (\$100,000.00 USD), other than sales of inventory in the Ordinary Course of Business;

(ii) experienced any damage, destruction or loss (whether or not covered by insurance) to its assets or property (tangible or intangible) in excess of One Hundred Thousand Dollars (\$100,000.00 USD);

(iii) received notice from any Person regarding the acceleration, termination, modification or cancelation of a Contract, which, if in existence on the date hereof, would be a Material Contract;

(iv) issued, created, incurred or assumed any Debt;

(v) forgave, canceled, compromised, waived or released any Debt owed to it or any right or claim thereto;

(vi) issued, sold or otherwise disposed of any of its equity or other ownership interests, or granted any options, warrants or other rights to acquire (including upon conversion, exchange or exercise) any of its equity or other ownership interests or declared, set aside, made or paid any dividend or distribution with respect to its equity or other ownership interests or redeemed, purchased or otherwise acquired any stock or other ownership interest or amended or made any change to any of its Organizational Documents or made any other payment to its partners or other equityholders (or any Affiliates of such members or stockholders);

(vii) granted any increase in salary or bonus or otherwise increased the compensation or benefits payable or provided to any director, officer, partner, manager, employee, consultant, advisor or agent;



(viii) engaged in any promotional, sales or discount or other activity that has or could reasonably be expected to have the effect of accelerating sales prior to the Closing that would otherwise be expected to occur subsequent to the Closing;

(ix) made any commitment outside of the Ordinary Course of Business or in excess of One Hundred Thousand Dollars (\$100,000.00 USD) in the aggregate for capital expenditures to be paid after the Closing or failed to incur capital expenditures in accordance with its capital expense budget;

(x) instituted any material change in the conduct of its business or any material change in its accounting practices or methods, cash management practices or method of purchase, sale, lease, management, marketing, or operation;

(xi) made or revised any material Tax election, adopted or changed any material Tax accounting method, waived any statute of limitation in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency, or settled or compromised any Tax liability;

(xii) collected its accounts receivable or paid any accrued liabilities or accounts payable or prepaid any expenses or other items, in each case other than in the Ordinary Course of Business, or taken any other action, or omitted to take any other action, not in the Ordinary Course of Business, which would materially affect the Working Capital as of the Closing Date;

(xiii) dissolved or sold any Subsidiary; or

(xiv) agreed or committed to any of the foregoing.

(c) All notes and accounts receivable reflected on the Most Recent Financial Statements, and all accounts receivable of the Company Group generated since the Most Recent Fiscal Month End (the “Receivables”), constitute bona fide receivables resulting from the sale of inventory, services or other obligations in favor of the Company Group as to which full performance has been fully rendered, and are valid and enforceable claims. The Receivables are not subject to any pending or, to the Knowledge of BHB, threatened defense, counterclaim, right of offset, returns, allowances or credits, except to the extent reserved in the final calculation of Working Capital. The reserves against the accounts receivable for returns, allowances, chargebacks and bad debts are commercially reasonable and have been determined in accordance with GAAP, consistently applied.

(d) The accounts payable of the Company Group reflected on the Most Recent Financial Statements arose from bona fide transactions in the Ordinary Course of Business, and all such accounts payable have either been paid, are not yet due and payable in the Ordinary Course of Business, or are being contested by the applicable member of the Company Group in good faith.

3.8 Undisclosed Liabilities. No Company has any, and there is no basis for any, liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), except for liabilities that (a) are accrued or reserved against in the Most Recent

Financial Statements, (b) were incurred subsequent to the Most Recent Fiscal Month End in the Ordinary Course of Business, (c) result from the obligations of the Companies under this Agreement or the Ancillary Agreements or (d) liabilities and obligations pursuant to any Material Contract which arose in the Ordinary Course of Business and did not result from any default, tort, breach of contract or breach of warranty.

### 3.9 Legal Compliance.

(a) Each Company, their respective predecessors and Affiliates, and each of their respective current and former directors, officers, managers, and employees, in the course of their respective duties, have at all times complied and are in compliance with all applicable Laws and Orders as are applicable to each such Company's business, affairs and operations, and no Proceeding has been filed or commenced or, to the Knowledge of BHB, threatened alleging any failure so to comply. Neither any member of the Company Group nor Seller has received any notice or communication alleging any non-compliance of the foregoing.

(b) Section 3.9(b) of the Disclosure Schedule sets forth a correct and complete list of all Permits held by the Company Group or used in the business, affairs and operations of any member of the Company Group and all Consents obtained with respect to such Permits in connection with the transactions contemplated by this Agreement and the Ancillary Agreements. Such Permits (i) constitute all Permits currently required for the conduct of the business, affairs and operations of the Company Group and (ii) are valid and in full force and effect. Such Consents constitute all Consents required with respect to such Permits to ensure that all such Permits remain in good standing and in full force and effect following the Closing. No Company, nor any of their directors, managers, partners, officers or employees (A) is in violation of any term of any such Permit, (B) has received notice of any pending or threatened Proceeding alleging that any operation or activity of any Company or any of their directors, managers, officers or employees is in violation of any applicable Laws or Permits and has no knowledge that any Governmental Body or third party is considering any such Proceeding, (C) has received notice that any Governmental Body has taken, is taking, or intends to take action to limit, suspend, modify or revoke or to not renew any Permit, and has no knowledge that any such Governmental Body is considering taking or would have reasonable grounds to take such action, (D) has, or has had on its behalf, filed, declared, obtained, maintained or submitted all reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments as required by any applicable Laws or Permits and to keep the Permits in good standing and that all such reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments were complete and correct in all material respects on the date filed (or were corrected or supplemented by a subsequent submission).

(c) Immediately following the Closing, each Permit set forth on Section 3.9(b) of the Disclosure Schedule or that should be set for in Section 3.9(b) of the Disclosure Schedule will be available for full use and exploitation by a Company. All Consents set forth on Section 3.9(b) of the Disclosure Schedule or that should be set for in Section 3.9(b) of the Disclosure Schedule are valid and in full force in effect immediately following the Closing.

(d) Each product sold by any Company or in their inventory: (i) meets the applicable specifications for the product; (ii) is fit for the purpose for which it is intended, and is

of merchantable quality; (iii) has been cultivated, processed, packaged, labelled, imported, tested, stored, transported and delivered in accordance with the Permits and all applicable Laws; (iv) is not adulterated, tainted or contaminated and does not contain any substance not permitted by applicable Laws; and (v) has been cultivated, processed, packaged, labelled, imported, tested, stored and transported in facilities authorized by the applicable Permit in accordance with the terms of such Permit. Any marketing and promotion activities of each Company relating to its products complies with all applicable Laws in all material respects.

(e) No Company, nor any of their officers, managers, equityholders, partners, members, directors, agents, employees or any other Persons acting on their behalf has (i) made any illegal payment or provided any unlawful compensation or gifts to any officer or employee of any Governmental Body, or any employee, customer or supplier of any Company, or (ii) accepted or received any unlawful contributions, payments, expenditures or gifts; and no Proceeding has been filed or commenced alleging any such payments, contributions or gifts.

(f) The Company Group has implemented, maintains, regularly audits and complies in all material respects with internal compliance programs designed to detect and prevent violations of any applicable Laws related to the Hemp and Hemp-derived-product industry, periodically reviews and updates such internal compliance programs to account for any changes in Laws applicable to Company's business, affairs and operations, as needed, employs or engages internal personnel and third party consultants to perform routine audits to test the effectiveness of each Company's internal compliance programs and processes and controls related thereto. All directors, officers, internal personnel and third party consultants of each Company have, where reasonably applicable to the position and services rendered by such Persons, sufficient knowledge of Laws relating to Hemp and products derived from Hemp which are applicable to each Company's business, affairs and operations (including, without limitation, to the extent applicable, the Agricultural Act of 2014, the Agricultural Improvement Act of 2018, the Federal Food, Drug, and Cosmetic Act, the Controlled Substances Act, and all other Laws applicable to each Company's business, affairs and operations and the Hemp and Hemp-derived-product industry) and all such Persons have all qualifications, including security clearances, training, experience and technical knowledge required by applicable Laws. Each Company has provided sufficient training to employees responsible for such Person's internal compliance programs, including, without limitation, ensuring that, where reasonably applicable to the position and services rendered by such Persons, they are adequately informed (i) to the extent applicable, of the Agricultural Act of 2014, the Agricultural Improvement Act of 2018, the Federal Food, Drug, and Cosmetic Act, the Controlled Substances Act and all other Laws applicable to each Company's business, operations and affairs and the Hemp and Hemp-derived-product industry, and any changes thereto; and (ii) of each Company's internal compliance programs and controls related thereto. Each of the current and former employees and third-party consultants of each Company has agreed, in writing, to abide by each of the internal compliance policies applicable to such current or former employees or third-party consultants.

### 3.10 Tax Matters.

(a) The Company Group has filed with the appropriate taxing authorities all Tax Returns that they were required to file. All such Tax Returns are correct and complete in all material respects. Except as set forth in 3.10(a) of the Disclosure Schedule, all Taxes due and

owing by each Company (whether or not shown on any Tax Return) have been paid or are reflected as reserves on the Most Recent Financial Statements. For each matter set forth in 3.10(a) of the Disclosure Schedule the Company Group has established adequate reserves to pay such Taxes. No Company is currently the beneficiary of any extension of time within which to file any Tax Return or pay any Tax. There are no Liens for Taxes (other than Taxes not yet due and payable) upon the Target Securities or any of the assets of any member of the Company Group.

(b) Each Company has withheld or collected and paid to the proper Governmental Body or other Person all Taxes required to be withheld, collected or paid by it from all employees, clients, independent contractors, creditors, shareholders and any other applicable payees in material compliance with applicable Law. All forms and other filings required with respect to any such payments (including, without limitation, Forms W-2 and 1099) have been properly completed and filed taking into account all available extensions. All Persons treated as independent contractors of the Company Group are properly classified as such.

(c) Adequate reserves and accruals have been established on the Most Recent Financial Statements to provide for the payment of all Taxes which are not yet due and payable with respect to the Company Group.

(d) No deficiency or proposed adjustment for any amount of Tax has been proposed, asserted or assessed by any taxing authority against any Company that has not been paid, settled or otherwise resolved. There is no Proceeding or audit now pending, proposed or, to the Knowledge of BHB, threatened against any Company or concerning the Company Group with respect to any Taxes. No Company been notified by any taxing authority that any issues have been raised with respect to any Tax Return. There has not been, within the past five (5) calendar years, an examination or written notice of potential examination of the Tax Returns filed with respect to the Company Group by any taxing authority.

(e) All Taxes that are required to be withheld or collected by the Company Group, including Taxes arising as a result of payments (or amounts allocable) to foreign persons or to employees, agents, contractors or equityholders of the Company Group, have been duly withheld and collected and, to the extent required, have been properly paid or deposited as required by applicable Laws.

(f) No claim has ever been made by any taxing authority in a jurisdiction where Company does not file Tax Returns that they are or may be subject to taxation by that jurisdiction.

(g) No Company is a party to any Tax allocation, sharing, indemnity, or reimbursement agreement or arrangement, and are not liable for the Taxes of any other Person as a transferee or successor, by Contract or otherwise.

(h) No Company: (i) is or has ever been a member of an affiliated group (within the meaning of Section 1504(a) of the Code or similar group defined under any similar provision of state, local or non-U.S. Tax law) filing a consolidated, combined, unitary or aggregate group Tax return for any taxable period; or (ii) has any liability for the Taxes of any Person under Treasury Regulation 1.1502-6 (or any corresponding or similar provision of state, local or non-U.S. Tax law) as a transferee or successor, by Contract (other than a Contract entered into in the

ordinary course of business, the principal subject matter of which is not the allocation, sharing or indemnification of Taxes), operation of law or otherwise.

(i) No member of the Company Group will be required as a result of (i) a change in method of accounting for a taxable period ending on or prior to the Closing Date, (ii) use of an improper method of accounting for a taxable period ending on or prior to the Closing Date, (iii) any “closing agreement,” as described in Section 7121 of the Code (or any corresponding provision of state, local or foreign Law), (iv) any installment sale or open transaction disposition prior to the Closing Date, (v) the receipt of any prepaid revenue prior to the Closing Date, or (vi) election under Section 108(i) of the Code, to include any item of income or exclude any item of deduction for any taxable period (or portion thereof) beginning after the Closing Date that would not have otherwise so been included or excluded as the case may be.

(j) Except as set forth in Schedule 3.10(j) of the Disclosure Schedule, no Company owns an interest in any controlled foreign corporation (as defined in Section 957 of the Code), passive foreign investment company (as defined in Section 1297 of the Code), or other entity the income of which is or could be required to be included in the income of any member of the Company Group.

(k) No member of the Company Group and no Seller is a “United States real property holding corporation” within the meaning of Section 897(c)(2) of the Code.

(l) Section 3.10(l) of the Disclosure Schedule lists all Tax Returns filed by the Company Group for Tax periods ended on or after December 31, 2017, indicates those Tax Returns that have been audited, and indicates those Tax Returns that currently are the subject of audit. No member of the Company Group has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to the payment of any Tax or any Tax assessment or deficiency.

(m) There is no Contract to which any Company is a party that will, individually or collectively, result in the payment of any amount that would not be deductible by reason of Section 280G (as determined without regard to Section 280G(b)(4)), 162 or 404 of the Code.

(n) Except as set forth in Section 3.10(n) of the Disclosure Schedule, each Company is, and at all times since formation has been, validly treated as either a partnership or a “disregarded entity” (within the meaning of Treasury Regulations Section 301.7701-3(b)(1)(ii)) for federal income Tax purposes (and, where applicable, state and local income Tax purposes).

(o) Except as set forth in Section 3.10(o) of the Disclosure Schedule, no member of the Company Group has engaged in a trade or business, had a permanent establishment (within the meaning of an applicable Tax treaty or convention between the United States and such foreign country), has an office or fixed place of business in a country other than the United States, or otherwise been subject to taxation in any other country other than the United States.

(p) No member of the Company Group has been a party to any “Reportable Transaction” within the meaning of Treasury Resolution Sections 1.6011-4(b).

(q) No Company has deferred (i) any “applicable employment taxes” under Section 2302 of the CARES Act (or any corresponding or similar provision of state or local Tax law), or (ii) any payroll Tax obligations (including those imposed by Sections 3101(a) and 3201 of the Code) pursuant to or in connection with the Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster, dated August 8, 2020 or Notice 2020-22.

### 3.11 Real Property.

(a) There is no Owned Real Property.

(b) Section 3.11(b) of the Disclosure Schedule sets forth the address of each parcel of Leased Real Property, and a true and complete list of all Leases for each parcel of Leased Real Property. Sellers have made available to Buyer a true and complete copy of each Lease, and in the case of any oral Lease, a written summary of the material terms of such Lease.

(c) Subject to the respective terms and conditions in the Leases, a Company is the sole legal and equitable owner of the leasehold interest in the Leased Real Property and possesses good and enforceable title thereto, free and clear of all Liens (other than Permitted Liens).

(d) With respect to each parcel of Real Property: (i) there are no pending or, to the Knowledge of BHB, threatened condemnation Proceedings, suits or administrative actions relating to any such parcel or other matters adversely affecting the current use, occupancy or value thereof; (ii) the use, ownership, occupancy and operation of the Real Property in the manner in which it is now used, owned, occupied and operated comply with all zoning, building, use, safety or other similar Laws; (iii) all Improvements on any such parcel are in good operating condition, ordinary wear and tear excepted, are supplied with utilities and other services necessary for the operation of the Business as currently conducted at such Real Property and safe for their current occupancy and use; (iv) neither any member of the Company Group nor Seller has received any notice of any special Tax, levy or assessment for benefits or betterments that affect any parcel of Real Property and, to the Knowledge of BHB, no such special Taxes, levies or assessments are pending or contemplated; (v) there are no Contracts granting to any third party or parties the right of use or occupancy of any such Real Property, and there are no third parties (other than the Company and its Subsidiaries) in possession of any such Real Property; (vi) each such Real Property abuts on and has adequate direct vehicular access to a public road and there is no pending or, to the Knowledge of BHB, threatened termination of such access, (vii) all water, oil, gas, electrical, steam, compressed air, telecommunications, sewer, storm and waste water systems and other utility services or systems for such Real Property have been installed and are operational and sufficient for the operation of the Company Group’s business as currently conducted thereon, and neither any Company nor any Seller has received any notice of discontinuance of or reduction in such services, and (viii) such Real Property is in material compliance with all applicable Laws and Permits, including, but not limited to, building, zoning, subdivision, health and safety and other land use and building codes, ordinances, statutes or laws, including the Americans with Disabilities Act of 1990, as amended, and all insurance requirements affecting such Real Property, and neither any Company nor any Seller has received notice of violation of any such Laws which have not heretofore been cured or corrected. The Real Property comprises all of the real property owned,

leased, subleased, licensed or otherwise occupied or used or intended to be used by the Company Group, and the Company Group is not a party to any Contract or option to purchase or lease any real property or any portion thereof or interest therein.

(e) With respect to each Lease, (i) no member of the Company Group, as applicable, is in default thereunder, and, to the Knowledge of BHB, no event has occurred which with the giving of notice or passage of time, or both, would constitute a breach or default thereunder by any member of the Company Group (as applicable) or any other party thereto, (ii) the applicable member of the Company Group's possession and quiet enjoyment of the Leased Real Property under such Lease has never been disturbed, and there are no current disputes with respect to such Lease, (iii) no security deposit or portion thereof deposited with respect to such Lease has been applied in respect of a breach or default under such Lease which has not been redeposited in full, (iv) no member of the Company Group owes, nor will owe in the future, any brokerage commissions or finder's fees with respect to such Lease, (v) no member of the Company Group has subleased, licensed or otherwise granted any other Person the right to use or occupy such Leased Real Property or any portion thereof and there are no Persons other than member of the Company Group in possession of such Leased Real Property, (vi) no member of the Company Group has collaterally assigned or granted any security interest in such Lease or any interest therein, (vii) such Leased Real Property, including without limitation, the mechanical systems, HVAC systems, plumbing, electrical, security, utility and sprinkler systems, are in reasonable, working condition, subject only to normal, scheduled maintenance, are reasonably sufficient for the operation thereof for its current use, and to the Knowledge of BHB, there are no material structural or other physical defects or deficiencies in the condition of such improvements, and there are no facts or conditions that would, individually or in the aggregate, interfere in any material respect with the use or occupancy of such improvements or any portion thereof in the operation of the business of the Company Group as currently conducted thereon, and (viii) neither such Leased Real Property nor the use or occupancy thereof violates in any way any applicable Permits, covenants, conditions or restrictions, whether federal, state, local or private, and the Leased Real Property or the applicable member of the Company Group has received all required certificates, licenses, Permits, authorizations and approvals in connection with the use and occupancy thereof.

### 3.12 Intellectual Property.

(a) The Company Group owns and possesses or has the right to use pursuant to a valid and enforceable written Contract, all Intellectual Property necessary for the operation of the business of the Company Group, including the Business.

(b) No member of the Company Group has interfered with, infringed upon, misappropriated, or violated any Intellectual Property rights of third parties in any respect, and no member of the Company Group, nor any of their directors, managers, members, partners and officers, has received any charge, complaint, claim, demand, or notice alleging any such interference, infringement, misappropriation, or violation (including any claim that any member of the Company Group must license or refrain from using any Intellectual Property rights of any third party). Except as set forth in Section 3.12(b) of the Disclosure Schedule, no third party has interfered with, challenged, or, to the Knowledge of BHB, infringed upon, misappropriated, or violated any Intellectual Property rights of the Company Group.

(c) Sections 3.12(c)(i)-(iii) of the Disclosure Schedule identify the following Intellectual Property that is owned by the Company Group or currently used in the conduct of the business of the Company Group (indicating which member of the Company Group owns such Intellectual Property), whether registered or unregistered: (i) inventions, invention disclosures, discoveries and improvements (whether or not patentable), issued patents and patent applications, and counterparts claiming priority therefrom, and all related continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions, and extensions thereof (together, the “Patents”); (ii) trademarks, service marks, certification marks, collective marks, logos, slogans, trade dress, trade names (including social media user account names), other source or business identifiers, and respective applications (together, the “Trademarks”); and (iii) works of authorship and other copyrightable subject matter, whether or not published, including copyrights, software code, and databases (and all translations, derivative works, adaptations, compilations, and combinations of the foregoing) (together, the “Copyrights”). Section 3.12(c)(iv) of the Disclosure Schedule identifies each license, sublicense, agreement, or other permission pursuant to which any member of the Company Group have granted any rights to any third party with respect to any of its Intellectual Property (together with any exceptions) and any agreements that affect the Company Group’s rights to any Intellectual Property. Seller has delivered to Buyer correct and complete copies of all such applications and registrations for the Intellectual Property listed in Sections 3.12(c)(i)-(iii) of the Disclosure Schedule and all documents (including all amendments) listed in Section 3.12(c)(iv) of the Disclosure Schedule. The Company Group has, and upon the Closing a member of the Company Group will have, all right, title and interest in and to, free and clear of any Lien, license, or other restriction or limitation regarding use, and have the sole and exclusive right to use (and Seller, its equityholders, and their Affiliates do not have and do not claim to have any individual right to use) all the Intellectual Property required to be disclosed on Sections 3.12(c)(i)-(iii) of the Disclosure Schedule (the “Designated Intellectual Property”) (subject to the applicable license agreements listed in Section 3.12(c)(iv) of the Disclosure Schedule), and such Intellectual Property is not subject to any outstanding Order restricting the use or licensing thereof by the Company Group, and no member of the Company Group has received any written claim challenging the validity or effectiveness of such Intellectual Property, and such Intellectual Property is valid and enforceable.

(d) The Company Group has made all necessary filings and paid all necessary registration, maintenance and renewal fees to maintain the Designated Intellectual Property. There are no outstanding deadlines of any patent, copyright or trademark office (or any analogous office or registry anywhere in the world) in relation to such Designated Intellectual Property that will expire within six (6) months of the Closing Date.

(e) Each item of Intellectual Property owned or used by the Company Group immediately prior to the Closing will be owned or available for use, respectively, by the Company and its Subsidiaries immediately subsequent to the Closing on identical terms and conditions as owned or used by the Company Group immediately prior to the Closing.

(f) The Company Group has not infringed any Intellectual Property rights or other rights of any other Person, and the continued operation of the Business by the Company and its Subsidiaries consistent with past practices of the Company Group will not infringe any Intellectual Property rights or other rights of any other Person. Except as listed in Section 3.12(f), since January 1, 2016, no claims of any kind have been made or asserted by any other Person



against any member of the Company Group or against any of their employees, agents or contractors, customers, vendors, suppliers, or distributors, claiming or alleging that the Company Group or any of their products (including Software and products currently under development), services or methods of operation infringe, have infringed, contribute to infringement or induce the infringement of, or misappropriate the Intellectual Property rights or other rights of any other Person, violate any right of any other Person (including rights to privacy or publicity) or constitute unfair competition, nor is any member of the Company Group aware of or on written notice of any such infringement, misappropriation or violation.

(g) Section 3.12(g)(i) of the Disclosure Schedule identifies all third party Software used by the Company Group in the operation of the Business (except for “off-the-shelf,” commercially-available software), and Section 3.12(g)(ii) of the Disclosure Schedule identifies all Software developed by or for the Company Group and the location of such Software. The Company Group owns and possesses or has the right to use pursuant to a valid and enforceable written Contract, all Software used by the Company Group in the operation of its business. After the Closing, all Software will be owned or available for use, respectively, by the Company and its Subsidiaries immediately subsequent to the Closing on identical terms and conditions as owned or used by the Company Group immediately prior to the Closing.

(h) The Company Group has adopted policies and procedures to control the use of third-party Intellectual Property, including Software available for download without charge on the internet or any other Software not introduced into the development environment through a formal procurement process and pursuant to a license agreement determined to be appropriate for establishing Company Group’s rights and obligations with respect to such Intellectual Property.

(i) The Company Group has taken all necessary steps to protect and preserve the confidentiality of all trade secrets, know-how, source code, databases, customer lists, schematics, ideas, algorithms and processes and all use, disclosure or appropriation thereof by or to any Person has been pursuant to the terms of a written agreement between such third party and the Company Group. Each member of the Company Group has complied with all of its confidentiality obligations under each Contract to which such Person is a party.

(j) Section 3.12(j) of the Disclosure Schedule contains a complete and accurate list and summary description of all rights in internet domain names, user names, handles and social media site names presently used or owned by the Company Group or otherwise used in connection with the Business. The Company Group owns or has the right to use all internet domain names, subdomains, URLs, website names, social media site names, user names, handles, email addresses, log-in names, passwords, pin numbers, customer numbers, and the like, or other account information necessary to access, transfer, use and update all of the foregoing presently used or owned by the Company Group (collectively “Net Names”). All Net Names have been registered in the name of a member of the Company Group and are, and have been, in compliance with all Laws. Except as set forth in Section 3.12(j) of the Disclosure Schedule, no Net Name has been or is now involved in any dispute, opposition, invalidation or cancellation Proceeding and no such action is threatened with respect to any Net Name. In addition, to the Knowledge of BHB: (i) no Net Name has been challenged, interfered with or threatened in any way and (ii) no Net Name infringes, interferes with or is alleged to interfere with or infringe the trademark, copyright or

domain name of any other Person. Upon the Closing, all Net Names will be available for use by the Company or one of its Subsidiaries.

### 3.13 Contracts.

(a) Section 3.13(a) of the Disclosure Schedule lists the following Contracts to which any member of the Company Group is a party or which are binding on any assets of the any member of the Company Group used in the Business:

- (i) each Contract with any Material Customer or Material Supplier;
- (ii) each Contract that requires a Company to pay, or entitles a Company to receive, or could result in obligations of a Company in the amount of, in the aggregate, \$50,000 or more in any twenty-four (24) month period;
- (iii) each Contract containing a “most-favored-nation” provision or any provisions of similar effect;
- (iv) each Contract that may not be unilaterally terminated by a Company, without penalty or fee, upon no more than sixty (60) days’ prior written notice;
- (v) each Contract that requires the consent of any Person prior to a change of ownership or control of any Company;
- (vi) each joint venture, partnership or Contract involving a sharing of profits, losses, costs or liabilities with any other Person;
- (vii) each Contract containing any covenant that purports to restrict the business activity of the Company Group or limit the freedom of the Company Group to engage in any line of business or to compete with any Person;
- (viii) each power of attorney;
- (ix) each Contract for Debt;
- (x) each Contract providing for the payment of any cash or other compensation or benefits upon the consummation of the transactions contemplated by this Agreement;
- (xi) each Contract with any labor union, labor organization or trust fund or any bonus, pension, profit sharing, retirement or any other form of deferred compensation plan or practice, whether formal or informal, or any severance agreement or arrangement;
- (xii) each Contract under which the Company Group has advanced or loaned to any other Person;

(xiii) each Contract with any Seller, any equityholder or other beneficial owner of Seller, or any other Affiliate of any member of the Company Group;

(xiv) any settlement or similar agreement;

(xv) each employment or consulting Contract or other Contract with any of the Company Group's officers, managers, partners, directors or employees;

(xvi) each Intellectual Property Agreement;

(xvii) each confidentiality agreement and non-disclosure agreement still in effect;

(xviii) each Contract which purports to be (or will after the Closing be) binding on Affiliate of any Company other than an Affiliate that is another Company; and

(xix) any other agreement material to the Company Group whether or not entered into in the Ordinary Course of Business.

(b) Seller has delivered to Buyer a correct and complete copy of each written Material Contract, together with all amendments, exhibits, attachments, waivers or other changes thereto. Section 3.13(b) of the Disclosure Schedule contains an accurate and complete description of all material terms of all oral Material Contracts.

(c) Each Material Contract is legal, valid, binding, enforceable, in full force and effect and will continue to be legal, valid, binding and enforceable on identical terms following the Closing Date. Except as specifically disclosed and described in Section 3.13(c) of the Disclosure Schedule, (i) no Material Contract has been breached or canceled by the applicable member of the Company Group or, to the Knowledge of BHB, any other party thereto, (ii) the applicable member of the Company Group has performed all obligations under such Material Contracts required to be performed by it, (iii) to the Knowledge of BHB, there is no event which, upon giving of notice or lapse of time or both, would constitute a breach or default under any such Material Contract or would permit the termination, modification or acceleration of such Material Contract, (iv) except to make the statements in clause (v) of this Section 3.13(c) accurate, no member of the Company Group has assigned, delegated or otherwise transferred to any Person any of its rights, title or interest under any such Material Contract, and (v) following the Closing, all Material Contracts will be available to the applicable member of the Company Group on identical terms as such Material Contracts were available to the Company Group prior to the Closing.

3.14 Insurance. Section 3.14(a) of the Disclosure Schedule sets forth the following information with respect to each insurance policy (including policies providing property, casualty, liability, director & officer, and workers' compensation coverage and bond and surety arrangements) with respect to which any member of the Company Group is a party or a named insured or with respect to which any member of the Company Group (including by virtue of coverage of the assets thereof) is otherwise the beneficiary of coverage (collectively, the "Company Insurance Agreements"):

- (a) the name of the insurer, the name of the policyholder, and the name of each covered insured;
- (b) the policy number and the period of coverage; and
- (c) a description of any retroactive premium adjustments or other material loss-sharing arrangements; and
- (d) a description of any and all claims by any Company or any other Person pending under any Company Insurance Agreement as to which coverage has been questioned, denied, or disputed.

All premiums payable under the Company Insurance Agreements have been paid. There are no threatened terminations of, or material premium increases with respect to, any Company Insurance Agreements. Section 3.14(b) of the Disclosure Schedule sets forth a list of all claims made under the Company Insurance Agreements, or under any other insurance policy, bond or agreement covering the any member of the Company Group or any their operations since January 1, 2016. The Company Group and their operations have been covered during the past (5) years by insurance in scope and amount customary and reasonable for the business in which they have engaged during such period and as required by any Material Contracts.

3.15 Litigation. Except as set forth in Section 3.15 of the Disclosure Schedule, there are no (and during the last two (2) years preceding the date hereof, there have not been any) Proceedings, Orders, or, except as did not or would not have, directly or indirectly, a Material Adverse Effect, complaints, charges, grievances, or investigations pending or, to the Knowledge of BHB, threatened or anticipated relating to or affecting the Company Group. There is no outstanding Order to which the Company Group is subject. The Company Group is fully insured with respect to each of the matters set forth on Section 3.15 of the Disclosure Schedule. No Seller is engaged in or a party to or, to the Knowledge of BHB, threatened with any complaint, charge, Proceeding, Order, investigation or other process or procedure for settling disputes or disagreements with respect to the Company Group or the transactions contemplated by this Agreement or any Ancillary Agreement, and no Seller nor any member of the Company Group has received written notice of a claim or dispute that is reasonably likely to result in any such complaint, charge, Proceeding, Order, investigation or other process or procedure for settling disputes or disagreements with respect to the Company Group or the transactions contemplated by this Agreement or any Ancillary Agreement.

### 3.16 Employees.

(a) Section 3.16(a) of the Disclosure Schedule sets forth a complete and correct list of all employees and independent contractors of the Company Group providing services to the Business, and sets forth for each such individual the following: (i) name; (ii) title or position (including whether full or part time); (iii) hire date; (iv) current annual base compensation rate; (v) current target commission, bonus or other incentive-based compensation amounts; (vi) whether such individual is on short-term disability leave (and if so, expected date of return to work); (vii) whether such individual is on long-term disability leave (and if so, expected date of return to work); (viii) classification as exempt versus non-exempt under the Fair Labor Standards Act and similar

state Laws; (ix) the amount of accrued and unused vacation time; (x) the identity of the labor organization or union representing the individual if the individual is a member of a bargaining unit represented by a labor organization or union; and (xi) indicating whether there has been any increase in compensation, bonus, incentive, or service award or any grant of any severance or termination pay or any other increase in benefits or any commitment to do any of the foregoing since the Most Recent Fiscal Year End. No Company has any employees in the State of California or any employee that would cause any Company to be subject to any Laws regarding employment in the State of California.

(b) Sellers have provided Buyer with complete and correct copies of (i) all existing severance, accrued vacation or other leave agreement, policies or retiree benefits of any such officer, employee or consultant, (ii) all employee trade secret, non-compete, non-solicit, non-disclosure and/or invention assignment agreements, (iii) all payments to be made to employees and contractors of the Company Group in connection with the transactions contemplated by this Agreement and the Ancillary Agreement, including severance payments, Bonus Pool Agreements, accrued and unused vacation for all employees, and incentive payments, and (iv) all policies, manuals and handbooks applicable to any current or former director, manager, officer, employee, consultant or independent contractor of the Company Group. The employment, consulting or independent contractor arrangement of each officer, employee, consultant or independent contractor of the Company Group is terminable at will (without the imposition of back pay, severance pay, penalties or damages) by the Company Group as the case may be. Except as set forth in Section 3.16(b) of the Disclosure Schedule, Seller is not aware that any executive or key employee of the Company Group or any group of employees of the Company Group has any plans to terminate employment with the Company Group.

(c) None of the employees of the Company Group are represented by any labor union, works council, or other labor organization or representative with respect to his or her employment with the Company Group; (ii) there are no labor, collective bargaining agreements or similar arrangements binding on the Company Group with respect to any employees, consultants or contractors; and (iii) for the prior three (3) years, to the Knowledge of BHB, no petition has been filed nor has any proceeding been instituted by any employee or group of employees with the National Labor Relations Board or similar Governmental Body seeking recognition of a collective bargaining agreement, demands for representation, and no union organizing effort regarding the Company Group's employees occurred or is underway.

(d) The Company Group has not experienced (nor, to the Knowledge of BHB, has it been threatened with) any strike, slow down, work stoppage or material grievance, claim of unfair labor practices, or other collective bargaining dispute within the past three years. The Company Group has not committed any material unfair labor practice. Except as set forth in Section 3.16(d) of the Disclosure Schedule, the Company Group has paid in full to all of its active and terminated employees and contractors all wages, salaries, commissions, bonuses, benefits, severance and other compensation due and payable to such employees and contractors.

(e) All individuals who have performed services for the Company Group or who otherwise have claims for compensation from the Company Group have been properly classified as exempt or non-exempt and an employee or an independent contractor pursuant to all applicable Laws, including the Code and ERISA.

(f) To the extent subject to the federal, state and local laws of the United States, within the past ten (10) years no member of the Company Group has effectuated a “plant closing” or a “mass layoff” or other event that would require the giving of notice under the United States Worker Adjustment and Retraining Notification Act, or any similar federal, state or local law (the “WARN Act”) affecting any site of employment or one or more facilities or operating units within any site of employment or facility of such Person. During the ninety (90) days prior to the Closing Date, no member of the Company Group has caused an “employment loss” within the meaning of the WARN Act. No similar event has occurred under the Laws of any non-U.S. jurisdiction under which any Company operates.

(g) The Company Group has properly completed, retained and, as applicable, updated a Form I-9 for each employee of the Company Group, as applicable, in accordance with applicable Law and regulations. The Company Group has been and continues to be in compliance with all legal requirements governing work authorization and other immigration issues in the United States including Section H-2A of the Immigration and Nationality Act. The Companies have complied with all similar Laws of any non-U.S. jurisdiction under which any Company operates.

(h) The Company Group has properly identified any and all workers which are common law or statutory employees and have issued and filed on a timely basis Forms W-2 for the workers so identified. All common law or statutory employee wages have been reported on the Forms W-2 and properly withheld upon for state, local, and federal income Tax purposes together with timely deposits of such withheld taxes pursuant to applicable law and regulations. All information reporting, including Code Z for Section 409A failures has been correctly reported on the applicable Forms W-2.

(i) Without limiting any other representation or warranty contained herein, each termination of those certain individuals executing Termination Agreements pursuant to Section 5.1(g) has been performed in compliance with all applicable Laws, no Company shall have any liability to such terminated individuals subsequent to the Closing Date other than as expressly provided in the Termination Agreements or as set forth Schedule 5.1(g), and the transactions contemplated by this Agreement and the Termination Agreement will not cause or give rise to a breach of any such individuals’ respective employment agreements with any Company.

### 3.17 Employee Benefits.

(a) Section 3.17(a) of the Disclosure Schedule lists each Employee Benefit Plan that the Company Group maintains or to which the Company Group contributes or has any obligation to contribute or with respect to which the Company Group has any liabilities.

(i) Each such Employee Benefit Plan (and each related trust, insurance Contract, or fund) has been maintained, funded and administered in accordance with the terms of such Employee Benefit Plan and complies in form and in operation in all respects with the applicable requirements of ERISA, the Code, and other applicable Laws.

(ii) All required reports and descriptions (including Form 5500 annual reports, summary annual reports, and summary plan descriptions) have been timely filed

and/or distributed in accordance with the applicable requirements of ERISA and the Code with respect to each such Employee Benefit Plan. The requirements of COBRA have been met in all material respects with respect to each such Employee Benefit Plan and each Employee Benefit Plan maintained by an ERISA Affiliate that is an Employee Welfare Benefit Plan subject to COBRA.

(iii) All contributions (including all employer contributions and employee salary reduction contributions) that are due have been made within the time periods prescribed by ERISA and the Code to each such Employee Benefit Plan and all contributions for any period ending on or before the Closing Date which are not yet due have been made to each such Employee Benefit Plan or accrued in accordance with GAAP. All premiums or other payments for all periods ending on or before the Closing Date have been paid with respect to each such Employee Benefit Plan that is an Employee Welfare Benefit Plan.

(iv) Each such Employee Benefit Plan which is intended to meet the requirements of a “qualified plan” under Section 401(a) of the Code is so qualified and has received a determination from the Internal Revenue Service that such Employee Benefit Plan is so qualified, and nothing has occurred since the date of such determination that could adversely affect the qualified status of any such Employee Benefit Plan.

(v) There have been no Prohibited Transactions with respect to any such Employee Benefit Plan or any Employee Benefit Plan maintained by an ERISA Affiliate. No Fiduciary has any liability for material breach of fiduciary duty or any other failure to act or comply in connection with the administration or investment of the assets of any such Employee Benefit Plan. No Proceeding with respect to the administration or the investment of the assets of any such Employee Benefit Plan (other than routine claims for benefits) is pending or, to the Knowledge of BHB, threatened.

(vi) Seller has made available to Buyer correct and complete copies of the plan documents and summary plan descriptions, the most recent determination letter received from the Internal Revenue Service, the three (3) most recent annual report (Form 5500, with all applicable attachments), and all related trust agreements, insurance Contracts, and other funding arrangements which implement each such Employee Benefit Plan.

(b) Neither any member of the Company Group nor any ERISA Affiliate contributes to, has any obligation to contribute to, or has any liability under or with respect to any Employee Pension Benefit Plan that is a “defined benefit plan” (as defined in Section 3(35) of ERISA), any Multiemployer Plan, a multiple employer plan or a multiple employer welfare arrangement. No member of the Company Group provides nor are they obligated to provide any current or former employee, officer, manager, partner or director with post-termination health or welfare-type benefits other than in accordance with any applicable Law.

(c) No Employee Benefit Plan is a Multiemployer Plan.

(d) Section 3.17(d) of the Disclosure Schedule lists each written agreement, contract, or other arrangement—whether or not an Employee Benefit Plan (collectively a “Plan”)—to which the Company Group is a party that is a “nonqualified deferred compensation plan” subject to Section 409A of the Code. Each such Plan complies in all material respects with the requirements of Section 409A(a)(2), (3), and (4) of the Code and any Internal Revenue Service guidance issued thereunder. The Company Group has no actual or potential obligation to reimburse or otherwise “gross-up” any Person for the interest or additional tax set forth under Section 409A (a)(1)(B) of the Code.

(e) The execution, delivery, and performance of the Ancillary Agreements and the consummation of the transactions contemplated thereby will not (alone or in combination with any other event) result in or give rise to the acceleration of vesting or payment of benefits or compensation under any Employee Benefit Plan.

3.18 Debt. Except as set forth on Section 3.18 of the Disclosure Schedule, no member of the Company Group has any Debt or is liable for any Debt (whether pursuant to a guaranty, surety, assumption, or any other manner or form of agreement) of any other Person (including, with respect to any member of the Company Group, any liability for any Debt of any Seller). Upon Buyer’s payment of the Debt Amount in accordance with Section 1.4(a)(ii), the Company Group shall have satisfied all of its obligations pursuant to and under the Debt.

3.19 Environmental, Health, and Safety Matters.

(a) The Company Group has complied and are in compliance, in each case in all material respects, with all Environmental, Health, and Safety Requirements.

(b) Without limiting the generality of the foregoing, the Company Group has obtained, have complied, and are in compliance with all Permits and other authorizations that are required pursuant to Environmental, Health, and Safety Requirements for the occupation of the facilities of the Company Group and the operation of the business of the Company Group (including the Business). A list of all such Permits and other authorizations is set forth on Section 3.19(b) of the Disclosure Schedule. Such Permits will be available to the Company Group following the Closing on identical terms as such Permits are available to the Company Group prior to the Closing.

(c) No Company has received any written or oral notice, report or other information regarding any actual or alleged violation of Environmental, Health, and Safety Requirements, or any liabilities or potential liabilities (whether accrued, absolute, contingent, unliquidated or otherwise), including any investigatory, remedial or corrective obligations, relating to any of them, their current or former facilities or the Real Property arising under Environmental, Health, and Safety Requirements.

(d) No property or facility owned, leased or operated by the Company Group contains any underground storage tanks currently, nor, to the Knowledge of BHB, has contained any underground storage tanks in the past.

(e) No member of the Company Group has treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, or released any substance, including



any Hazardous Substance, or owned or operated any property or facility (and no such property or facility is contaminated by any such substance) in a manner that has given or would give rise to material liabilities, including any material liability for investigation costs, response costs, remedial costs, corrective action costs, personal injury, property damage, natural resources damages or attorney and consultant fees and costs, pursuant to CERCLA or the Solid Waste Disposal Act, as amended, or any other Environmental, Health, and Safety Requirements.

(f) There are no environmental conditions or circumstances on the Real Property that pose an unreasonable risk to the environment or the health or safety of Persons or Hazardous Substances present at, on or under the Real Property in violation of Environmental, Health, and Safety Requirements.

(g) Neither this Agreement nor the consummation of the transaction that is the subject of this Agreement will result in any obligations for site investigation or cleanup, or notification to or Consent of Governmental Bodies or third parties, pursuant to any of the Environmental, Health, and Safety Requirements.

(h) There are no written environmental audit, health and safety audit, Phase I environmental site assessment, Phase II environmental site assessment or investigation, soil and/or groundwater report, environmental compliance assessment prepared within the past five (5) years by or on behalf of any member of the Company Group or, to the Knowledge of BHB, any Governmental Body under the Environmental, Health, and Safety Requirements relating to any property currently or formerly owned or operated by the Company Group or their Affiliates.

3.20 Business Continuity. None of the Software, computer hardware (whether general or special purpose), telecommunications capabilities (including all voice, data and video networks) and other similar or related items of automated, computerized, and/or software systems and any other networks or systems and related services that are used by or relied on by the Company Group in the conduct of their businesses (collectively, the “Systems”) have experienced bugs, failures, breakdowns, or continued substandard performance in the past twelve (12) months that has caused or reasonably could be expected to cause any substantial disruption or interruption in or to the use of any such Systems by the Company Group.

3.21 Certain Business Relationships with the Company. Except as set forth on Section 3.21 of the Disclosure Schedule, neither any Seller, nor any officer, manager, partner or director of any Company, nor any equityholder or other beneficial owner of any Seller, nor any of the Affiliates of any of the foregoing (other than the Companies):

(a) owns, directly or indirectly, any stock or other ownership interest or investment in any Person that is engaged in the Business or is a competitor, supplier, customer, lessor or lessee of the Company Group;

(b) has any claim against or owes any amount to, or is owed any amount by, the Company Group;

(c) has any interest in or owns any assets, properties or rights used in the conduct of the business of the Company Group;

(d) is a party to any Contract to which any member of the Company Group is a party or which otherwise benefits the business of the Company Group; or

(e) has received from or furnished to the Company or any of its Subsidiaries any goods or services since the Most Recent Fiscal Year End, or is involved in any business relationship with the Company Group.

Section 3.21 of the Disclosure Schedule sets forth which of the exceptions set forth thereon will continue following the Closing.

### 3.22 Customers and Suppliers.

(a) Section 3.22 of the Disclosure Schedule sets forth a correct and complete list of the twenty (20) largest suppliers (by dollar volume) of products or services to the Business (the “Material Suppliers”), and the twenty (20) largest customers (by dollar volume) of the Business (the “Material Customers”) each during calendar years 2019 and 2020 and the six (6) months ended June 30, 2021. Section 3.22 of the Disclosure Schedule also sets forth, for each Material Supplier and Material Customer, the aggregate payments from such Person to the Company Group or to such Person by the Company Group. There are no outstanding disputes with any of Material Suppliers or Material Customers.

(b) Since December 31, 2019, none of the Material Suppliers has indicated that it shall stop, or materially decrease the rate of, supplying materials, products or services to the Company Group, or otherwise materially change the terms of its relationship with the Company Group. No Company has any reason to believe that any Material Supplier will stop, or materially decrease the rate of, supplying products or services to the Company Group or otherwise materially change the terms of its relationship (including the pricing) with the Company Group after, or as a result of, the consummation of any transactions contemplated by this Agreement or that any such supplier is threatened with bankruptcy or insolvency.

(c) Since December 31, 2020 none of the Material Customers has indicated that it shall stop, or materially decrease the rate of, buying products or services from the Company Group or otherwise materially change the terms of its relationship with the Company Group. No Company has any reason to believe that any Material Customer will stop, or materially decrease the rate of, buying products or services from the Company Group or otherwise materially change the terms of its relationship with the Company Group after, or as a result of, the consummation of any transactions contemplated by this Agreement or that any such customer is threatened with bankruptcy or insolvency.

### 3.23 Warranty; Labeling; Recall.

(a) Each product or service, manufactured, formulated, sold, leased, or delivered by the Company Group is and has been manufactured, formulated, sold, leased, or delivered in conformity with all applicable Law, contractual commitments and all express and implied warranties, and no member of the Company Group has any liability (and there is no basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against any of them giving rise to any liability) for replacement or repair thereof or other damages, liability or obligations in connection therewith, in excess of the reserve for

warranty claims set forth on the face of the Most Recent Balance Sheet (rather than in any notes thereto) as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of the Company Group. Section 3.23(a) of the Disclosure Schedule includes copies of the standard terms and conditions of service, sale or lease for the Company Group or the Business (containing applicable guaranty, warranty, and indemnity provisions). No product or service sold, leased, or delivered by any member of the Company Group or otherwise in connection with the Business is subject to any material guaranty, warranty, or other indemnity beyond the applicable standard terms and conditions of sale or lease set forth in Section 3.23(a) of the Disclosure Schedule, except for any guaranty, warranty or other indemnity that is imposed by law.

(b) The Company Group is in compliance with all applicable growing, labeling, approval, clearance, registration, listing, manufacturing, formulating, contract manufacturing, handling, holding, storing, distributing, testing, importing, exporting, advertising, promotion Laws, and all other Laws concerning the growing, production, holding, distribution and sale of Hemp or Hemp-derived products by or for the Company Group.

(c) No member of the Company Group has, within the past three (3) years, (i) recalled any of its products, (ii) suspended, discontinued growing or manufacturing (including contract growing or manufacturing by or for others) or distribution of any of their products after inquiry or investigation of any Governmental Body, or (iii) received any written notice from any other Governmental Body that it has commenced any action to enforce any Law or Order, request or order a recall of, any of its products, or commenced or, to the Knowledge of BHB, proposed or threatened to commence, any action to seize, enjoin or place restrictions on the production or distribution of any of its products.

3.24 Product Liability. Section 3.24 of the Disclosure Schedule sets forth an accurate, correct and complete list and summary description of all existing claims, duties, responsibilities, liabilities or obligations arising from or alleged to arise from any injury to person or property as a result of the ownership, possession or use of any product manufactured, formulated, distributed or sold by the Company Group or its members' predecessors during the two (2) years prior to the date hereof. No member of the Company Group has any liability (and there is no reasonable basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against the Company Group giving rise to any liability) arising out of any injury to individuals or property as a result of the ownership, possession, or use of any product manufactured, formulated, processed, sold, distributed, or delivered by the Company Group or any of its members' predecessors.

3.25 Information Privacy and Data Security. The Company Group's practices concerning collection, use, analysis, retention, storage, protection, security, transfer, disclosure, and disposal of Personal Information comply in all material respects with, and have not, since January 1, 2017, violated in any material respect, any (a) Contract with a client, (b) Privacy Laws, or (c) written policy or privacy statement of the Company Group. The Company Group has posted to their website and each of their online sites and services, including all mobile applications, terms of use or service and a privacy policy that complies with Privacy Laws and that accurately reflects in all material respects the Company Group's practices concerning the collection, use, and disclosure of Personal Information in such online sites, services, and mobile applications. The Company Group has commercially reasonable controls in place designed to address the

information security risks and vulnerabilities of the Company Group in light of each member of the Company Group's business, technology, information systems, and the sensitivity of the Personal Information processed by the Company Group.

3.26 Solvency. Each Company, individually, and the Company Group taken as a whole, is solvent. For purposes of this Section 3.26, the term "solvent" means, with respect to any Person, that (a) the fair salable value of such Person's tangible assets are in excess of the total amount of its liabilities (including for purposes of this definition all liabilities, whether or not reflected on a balance sheet prepared in accordance with GAAP, and whether direct or indirect, fixed or contingent, secured or unsecured, and disputed or undisputed), (b) such Person is able to pay its debts or obligations in the ordinary course of business as they mature, and (c) such Person has capital sufficient to carry on its business.

3.27 Stimulus Funds, Etc.

(a) Section 3.27(a) of the Disclosure Schedule sets forth all CARES Act stimulus fund programs or other programs related to the COVID-19 pandemic in which any member of the Company Group is participating or has participated, and the amount of funds received and/or requested by the Company Group for each such program as of the date hereof (the "CARES Funds"). The Company Group has maintained accounting records associated with the CARES Funds in compliance with all of the terms and conditions of such programs. The Company Group has utilized or maintained all such CARES Funds received by them in accordance with all applicable Laws.

(b) Except as set forth in Section 3.27(b) of the Disclosure Schedule, no member of the Company Group has applied for or received a loan pursuant to the Paycheck Protection Program under the CARES Act. Section 3.27(b) of the Disclosure Schedule sets forth the applicable Company having obtained any such loan, the amounts of such loans, the amount forgiven, if any, of such loans. All such loans have been forgiven, and no such loans remain in effect as of the Closing Date.

3.28 COVID-19 Precautions. The Company Group has implemented all workplace, operational and other precautions and measures regarding the COVID-19 pandemic, in line and in material compliance with all Center for Disease Control (CDC), World Health Organization (WHO) and other federal, state and local guidelines, directives and recommendations, as such guidelines, directives and recommendations have been amended from time to time, including social distancing measures, increased sanitization measures, measures to protect employee health, measures to prevent crowds, and measures to prevent unnecessary contact, and the Company Group is in material compliance with all Applicable Laws regarding the COVID-19 pandemic, including the Families First Coronavirus Response Act (FFCRA), the CARES Act, any and all "shelter in place," "stay at home" or similar Order.

3.29 Disclosure. Neither this Agreement nor any agreement, attachment, schedule, exhibit, certificate or other statement delivered pursuant to this Agreement or in connection with the transactions contemplated hereby omits to state a material fact necessary in order to make the statements and information contained herein or therein, not misleading. Buyer has been provided full and complete copies of all documents referred to on the Disclosure Schedule.

## ARTICLE 4

### POST-CLOSING COVENANTS

The Parties agree as follows with respect to the period following the Closing:

4.1 Further Assurances. In case at any time after the Closing any further action is necessary to carry out the purposes of this Agreement, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as any other Party reasonably may request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor under ARTICLE 6 below). Sellers acknowledge and agrees that from and after the Closing, Buyer will be entitled to possession of all documents, books, records (including Tax records), agreements, and financial data of any sort relating to the Company Group and the other assets of the Company Group used in the Business.

4.2 Confidentiality. From and after the Closing, Sellers agree not to disclose or use any Confidential Information. In the event that any Seller is requested or required pursuant to written or oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigation demand, or similar process to disclose any Confidential Information, such Seller will notify Buyer promptly of the request or requirement so that Buyer may seek an appropriate protective order or waive compliance with the provisions of this Section

4.2. If, in the absence of a protective order or the receipt of a waiver hereunder, such Seller is compelled to disclose any Confidential Information to any tribunal or else stand liable for contempt, such Seller may disclose the Confidential Information to the tribunal; provided, however, that such Seller shall use such Seller's reasonable best efforts to obtain, at the request of Buyer, an order or other assurance that confidential treatment will be accorded to such portion of the Confidential Information required to be disclosed as Buyer shall designate. The foregoing provisions shall not apply to any Confidential Information that is generally available to the public immediately prior to the time of disclosure unless such Confidential Information is so available due to the breach of this Agreement by any Seller or any Affiliate or representative of any Seller.

#### 4.3 Restrictions on Transfer.

(a) Sellers acknowledge and agree that, without the prior written consent of Buyer (which may be withheld in Buyer's sole discretion), no Seller may, directly or indirectly, in any single transaction or series of related transactions, sell, give, assign, pledge or grant a security interest in, hypothecate, offer or otherwise transfer (or enter into any Contract, Derivative Instrument or other obligation regarding the future sale, assignment, pledge or transfer of Beneficial Ownership of) (each, a "Transfer") any Restricted Shares, and no Transfer of Restricted Shares by any Seller may be effected except in compliance with this Section 4.3 and in accordance with all applicable Laws (including, without limitation, applicable U.S. and Canadian Laws, as described in the legend(s) contemplated in Sections 2.1(g) and 2.1(h) hereof). When Buyer Shares issued as Equity Consideration are no longer Restricted Shares, Sellers agree that no Seller will Transfer any of the Buyer Shares in violation of, and will comply with, any and all Laws applicable to such Transfer.

(b) Any attempted Transfer of Restricted Shares in violation of this Agreement shall be of no effect and null and void, regardless of whether the purported transferee has any actual or constructive knowledge of the Transfer restrictions set forth in this Agreement and shall not be recorded on the transfer books of the Company or any local custodian or transfer agent. Buyer shall be entitled to provide appropriate stop orders to enforce the provisions of this Section 4.3 and include appropriate legends on the Restricted Shares with respect to such restrictions.

4.4 Release. Sellers, for each of themselves, and any of their respective Subsidiaries (other than the Companies), and each of their respective predecessors, successors, assigns, and past and present stockholders, members, partners, managers, directors, officers, employees, agents, and other representatives (collectively, the “Releasors”), hereby forever fully and irrevocably release and discharge Buyer, each Company, each of their respective Subsidiaries, and each of their respective predecessors, successors, direct or indirect subsidiaries and past and present stockholders, members, partners, managers, directors, officers, employees, agents, and other representatives (collectively, the “Released Parties”) from any and all actions, suits, claims, demands, debts, agreements, obligations, promises, judgments, or liabilities of any kind whatsoever in law or equity and causes of action of every kind and nature, or otherwise (including, claims for damages, costs, expense, and attorneys’, brokers’ and accountants fees and expenses) arising out of or related to events, facts, conditions or circumstances existing or arising prior to the Closing Date, which the Releasors can, shall or may have against the Released Parties, whether known or unknown, suspected or unsuspected, unanticipated as well as anticipated (collectively, the “Released Claims”), and hereby irrevocably agree to refrain from directly or indirectly asserting any claim or demand or commencing (or causing to be commenced) any suit, action, or proceeding of any kind, in any court or before any tribunal, against any Released Party based upon any Released Claim. Notwithstanding the preceding sentence of this Section 4.4, “Released Claims” does not include, and the provisions of this Section 4.4 shall not release or otherwise diminish, the obligations of any Party set forth in or arising under any provisions of this Agreement or the Ancillary Agreements.

4.5 Registration Statement.

(a) Buyer has filed a Registration Statement on Form S-3 (the “Registration Statement”) registering the resale from time to time of Buyer Shares by selling security holders generically. Buyer shall file a prospectus supplement (pursuant to Rule 424 under the Securities Act) to the Registration Statement identifying the Sellers as selling securityholders of Registrable Shares (the “Prospectus Supplement”) within three (3) Business Days of the later of (i) the Closing or (ii) the date that the Sellers have furnished (y) in writing to Buyer such information regarding such Seller, the Registrable Shares held by such Seller and the intended method of disposition of the Registrable Shares in the form as shall be reasonably acceptable to Buyer, and (z) such executed documents from such Seller that are necessary for compliance with SEC rules and regulations in connection with such registration and/or otherwise customary of a selling shareholder in similar situations (such later date, the “Prospectus Supplement Filing Deadline”). Buyer shall provide prompt notice to the Seller Representative of the filing of the Prospectus Supplement. The obligations of Buyer in this Section 4.5 shall be subject to the timely cooperation of the Sellers in providing the information and executing any documents as contemplated in the immediately preceding sentence, and any Seller who fails to provide all requested information for purposes of disclosure in the Prospectus Supplement, as applicable, by the Prospectus Supplement

Filing Deadline may be excluded from such Prospectus Supplement. As of the date of the applicable Prospectus Supplement, the Registration Statement (together with the Prospectus Supplement) will comply in all material respects with the provisions of the Securities Act, and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not false or misleading (a “Material Misstatement”); *provided, however*, that none of the provisions of the preceding sentence shall apply to statements in or omissions from the Registration Statement (together with any applicable Prospectus Supplement) made in reliance upon and in conformity with information furnished solely by the Sellers for use in the Registration Statement and/or any applicable Prospectus Supplement. As soon as practicable after the Prospectus Supplement being filed with the SEC, Buyer will issue and deliver to Buyer’s transfer agent an irrevocable treasury order, on a rush basis, authorizing such transfer agent, as the registrar and transfer agent for the Buyer Shares, to remove all legends on the Buyer Shares that are included as Registrable Shares in the Prospectus Supplement. Notwithstanding the foregoing, Buyer’s sole obligation with respect to such legend removal shall be the delivery of such treasury order, and Buyer shall have no liability to any Seller or any other Party, and shall not be deemed to have made any representation or assurance, with respect to the actual time elapsed between the submission of such treasury order and the removal of any such applicable legends. It is understood and acknowledged that the only evidence that the Sellers whose legends are so removed shall be unlegended DRS advice statements issued by Buyer’s transfer agent and, accordingly, it is the sole responsibility of any such Sellers to instruct their respective securities brokers to move such unlegended DRS advice positions into electronic book-entry positions to facilitate open market transactions over the Nasdaq or TSX.

(b) Buyer shall (i) give the Seller Representative the opportunity to review and comment on the Prospectus Supplement, any amendments to the Prospectus Supplement, and, to the extent not prohibited by Law, related written correspondence with the SEC before the Prospectus Supplement and any such amendment is filed with or provided to the SEC in final form, (ii) notify the Seller Representative promptly of the time when any supplement or amendment to the Registration Statement that relates to resales of Registrable Shares by the Sellers has been filed, and of the issuance of any stop order or suspension of the registration under the Securities Act of the Buyer Shares to be resold under the Registration Statement, (iii) if applicable, make all necessary filings under the Securities Act and applicable state securities or “Blue Sky” laws and the rules and regulations thereunder for the issuance of the Equity Consideration, and timely obtain any actions, consents approvals or waivers required in connection therewith, and (iv) if applicable, notify Nasdaq of the Buyer Shares to be issued as the Equity Consideration pursuant to this Agreement in accordance with Nasdaq rules and regulations.

(c) Each Seller shall comply with all U.S. and/or Canadian federal, state and/or provincial securities Laws applicable to such Seller in connection with the resale of Registrable Shares pursuant to the Registration Statement and/or the Prospectus Supplement. Buyer shall notify each Seller promptly upon Buyer’s reasonable determination in its good faith judgment that the Registration Statement or any supplement to any prospectus forming a part of the Registration Statement (including any Prospectus Supplement) contains a Material Misstatement. In the case of any such notice, Buyer shall use best efforts to supplement or amend such prospectus as promptly as practicable so that such prospectus will not contain such Material Misstatement and shall provide a copy of such supplemented or amended prospectus to each Seller as promptly as

practicable, but no later than three (3) Business Days following the filing thereof with the SEC. Upon being notified by Buyer of any Material Misstatement, each Seller shall refrain from selling any Registrable Shares pursuant to the Registration Statement until such holders of Buyer Shares receive from Buyer copies of a supplemented or amended prospectus prepared and filed by Buyer, or until Buyer notifies such Sellers in writing that the then current prospectus may be used.

(d) Following the effectiveness of the Registration Statement, Buyer shall use commercially reasonable efforts to cause the Registration Statement to be continuously effective until earlier of (i) three (3) years after the date hereof and (ii) such time as the Registrable Shares represent less than one percent (1%) of the outstanding Buyer Shares (such period, the “Registration Period”). If the Registration Statement ceases to be effective under the Securities Act for any reason at any time during the Registration Period, Buyer shall use its best efforts to promptly cause such Registration Statement to again become effective under the Securities Act (including obtaining the prompt withdrawal of any order suspending the effectiveness of such Registration Statement), and in any event shall within thirty (30) days of such cessation of effectiveness, amend such Registration Statement in a manner reasonably expected to obtain the withdrawal of any order suspending the effectiveness of such Registration Statement or, file an additional registration statement for an offering to be made on a delayed or continuous basis pursuant to Rule 415 under the Securities Act registering the resale from time to time by Sellers thereof of all securities that are Registrable Shares as of the time of such filing. If such an additional registration statement is filed, Buyer shall use its reasonable efforts to (a) cause such additional registration statement to become effective under the Securities Act as promptly as is reasonably practicable after such filing, and (b) keep such additional registration statement (or another additional registration statement) continuously effective until the end of the Registration Period. Buyer shall supplement and amend any Registration Statement or additional registration statement contemplated hereunder if required by the rules, regulations or instructions applicable to the registration form used by Buyer for such registration statement if required by the Securities Act or as reasonably requested by the Sellers.

(e) From the date of this Agreement until the end of the Registration Period, Buyer shall use best efforts to make and keep public all of the issuer information contemplated by Rule 144 under the Securities Act, and file with the SEC in a timely manner all reports and other documents required to be filed by Buyer under the Securities Act and the Securities Exchange Act, in each case in order to permit resale of the Buyer Shares issued as the Equity Consideration in compliance with Rule 144 under the Securities Act.

(f) All expenses (other than Selling Expenses) incurred in connection with registrations, filings, or qualifications pursuant to Section 4.5, including all registration, filing, and qualification fees, printers’ and accounting fees, and fees and disbursements of counsel for Buyer shall be borne and paid by Buyer. All Selling Expenses relating to Registrable Shares registered pursuant to this Section 4.5 shall be borne and paid by the Sellers according to their Pro Rata Shares. For purposes hereof, “Selling Expenses” means all underwriting discounts, selling commissions, and stock transfer taxes applicable to the sale of Registrable Shares, and fees and disbursements of counsel for any Seller.

(g) To the extent permitted by law, Buyer will indemnify and hold harmless each Seller named in a Registration Statement and/or Prospectus Supplement, and the partners,



members, officers, directors, and stockholders of each such Seller; legal counsel and accountants for each such Seller; any underwriter (as defined in the Securities Act) for each such Seller; and each Person, if any, who controls each such Seller or underwriter within the meaning of the Securities Act, against any Adverse Consequences arising out of liability under the Securities Act or the Securities Exchange Act from the use and sale of any Buyer Shares pursuant to the applicable Registration Statement and/or Prospectus Supplement, and Buyer will pay to each such Seller, , underwriter, controlling Person, or other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any Proceeding from which such Adverse Consequences may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 4.5(g) shall not apply to amounts paid in settlement of any such Proceeding if such settlement is effected without the consent of Buyer, which consent shall not be unreasonably withheld, nor shall Buyer be liable for any Adverse Consequences to the extent that they arise out of or are based upon actions or omissions (i) made in reliance upon and in conformity with written information furnished by or on behalf of any such Seller, underwriter, controlling Person, or other aforementioned Person expressly for use in connection with the applicable Registration Statement and/or Prospectus Supplement (ii) due to any Seller's failure to deliver an amended or supplemental prospectus furnished to such Seller by Buyer, if required by Law to have been delivered, if such loss, liability, claim, damage, judgment or expense would not have arisen had such delivery occurred.

(h) To the extent permitted by law, each Seller named in a Registration Statement and/or Prospectus Supplement, severally and not jointly, will indemnify and hold harmless the Buyer, and each of its directors, each of its officers who has signed the Registration Statement, each Person (if any), who controls the Buyer within the meaning of the Securities Act, legal counsel and accountants for the Buyer, any underwriter (as defined in the Securities Act), each other Seller, and any controlling Person of any such underwriter or other Seller, against any Adverse Consequences arising from the use and sale of any Buyer Shares pursuant to the Registration Statement, in each case only to the extent that such Adverse Consequences arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of such Seller expressly for use in connection with such Registration Statement and/or Prospectus Supplement; and each such Seller will pay to Buyer and each other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any such Proceeding from which Adverse Consequences may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 4.5(h) shall not apply to amounts paid in settlement of any such Proceeding if such settlement is effected without the consent of such applicable Seller, which consent shall not be unreasonably withheld; and provided further that in no event shall the aggregate amounts payable by such Seller by way of indemnity or contribution under this Section 4.5(h) exceed the proceeds from the offering received by such Seller (net of any Selling Expenses paid by such Seller), except in the case of fraud or willful misconduct by such Seller.

(i) The Sellers hereby agree and acknowledge that (i) nothing in this Section 4.5 shall confer upon Sellers any piggyback registration rights with respect to the Buyer Shares, (ii) Buyer shall have no obligation to conduct any underwritten offerings in respect of any resales of Buyer Shares under the Registration Statement and (iii) Buyer shall have no obligation to deliver any legal opinions, negative assurance disclosure letters or comfort letters in connection with any

such resales (except for any legal opinions customarily required by the transfer agent of Buyer to facilitate the removal of legends upon effectiveness of the Registration Statement).

4.6 Termination Payments. Buyer will cause the Company to pay out any payments (i) set forth on Schedule 5.1(g) or (ii) pursuant to a Termination Agreement signed at Closing, but only to the extent that, in either case, such payments were not paid at Closing but were accrued for in the calculation of Working Capital (as included in the final determination of the Cash Payment) or reserved as a Transaction Expense (as included in the final determination of the Cash Payment).

## ARTICLE 5

### CLOSING DELIVERIES

5.1 Closing Deliveries of Sellers and the Company. At the Closing, the Sellers and the Company shall take the following actions and deliver the following documents and instruments to Buyer:

Buyer;

- (a) Unit Transfer Powers and Assignments to convey the Target Securities to
- (b) a certificate of the Secretary (or its equivalent) of BHB, dated the Closing Date, attaching and certifying (A) the Organizational Documents of BHB, (B) the equity records of BHB, and (C) the authorizing resolutions of BHB's board of managers authorizing the transactions contemplated by this Agreement and each Ancillary Agreement to which BHB is a party;
- (c) a certificate of the Secretary (or its equivalent) of each Company other than BHB, dated the Closing Date, attaching and certifying (A) the Organizational Documents of each Company, and (B) the equity records of each Company to the extent any exist separate from the applicable Organizational Documents;
- (d) a certificate of the Secretary (or its equivalent) of each Seller that is an entity, attaching and certifying the consent of each member, owner, and beneficial interest holder of such Seller to the transactions contemplated by this Agreement and each Ancillary Agreement to which such Seller is a party;
- (e) good standing certificates for each Company from the jurisdiction of each such Person's incorporation or organization and each jurisdiction in which such Person is qualified to do business;
- (f) the Employment Agreements, duly executed by each Designated Employee;
- (g) certain Termination Agreements identified on Schedule 5.1(g), in forms acceptable to Buyer, duly executed by each employee, independent contractor, and serviceprovider identified in Schedule 5.1(g);

(h) a resignation and release agreement, in forms acceptable to Buyer, from and duly executed by each member of the board of directors or managers and each officer of each Company;

(i) payoff and release letters from the holders of the Debt set forth on Schedule 5.1(i) that (A) reflect the amounts required in order to pay in full such Debt and (B) provide that, upon payment in full of the amounts indicated, all Liens with respect to the assets of any Company shall be terminated and of no further force and effect, together with UCC-3 termination statements with respect to the financing statements filed against the assets of any Company by the holders of such Liens, in each case in form and substance reasonably satisfactory to Buyer;

(j) all documentation not provided pursuant to Section 5.1(i) necessary to obtain releases of all Liens other than the Permitted Liens, including appropriate UCC termination statements, in each case in form and substance reasonably satisfactory to Buyer;

(k) the complete minute books and equity records of each Company;

(l) all Permits and Consents set forth on Schedule 5.1(l) and any other Permit or Consent required in connection with the transactions contemplated by this Agreement or any Ancillary Agreement to the extent the requirement of such Permit or Consent was not disclosed on Section 3.4(c) of the Disclosure Schedule;

(m) to the extent not included in the deliveries required by Section 5.1(l), all approvals, consents or written confirmations of nonobjection with respect to all of the Permits set forth in Section 3.9(b) of the Disclosure Schedule have been obtained by Sellers such that such Permits shall (i) remain in full force and effect after the Closing and (ii) be available for use by the Company Group following the Closing;

(n) a non-foreign person affidavit and related notice from each Seller that such Seller is not a foreign person, in a form satisfying the requirements of Section 1445 of the Code and United States Treasury regulations thereunder;

(o) a Restrictive Covenant, Release and Indemnification Agreement duly executed by each beneficial owner of each Seller set forth on Schedule 5.1(o) in a form acceptable to Buyer and pursuant to which, among other provisions, without limitation, non-compete and non-solicit provisions, and providing that such Persons will agree to be bound by the terms of Section 4.2 , Section 4.3, and Section 4.4;

(p) a Phantom Equity Acknowledgement and Release duly executed by each Phantom Equity Holder (whether or not such Phantom Equity Holder received any payment in connection with the transactions contemplated by this Agreement) in a form acceptable to Buyer and pursuant to which each Phantom Equity Holder will, among other things, acknowledge the receipt of consideration hereunder, if any, is in full satisfaction of any and all amounts otherwise due under such Phantom Equity Holder's Phantom Equity Agreement, terminate and cancel such Phantom Equity Agreement and release the Companies and Buyer from any further obligations or liability thereunder other than such payments or obligations as are set forth herein;

(q) to the extent not included in Section 5.1(p), a release agreement duly executed by each rightsholder or payee identified in Section 3.3(a) of the Disclosure Schedule in a form acceptable to Buyer and pursuant to which each such Person will, among other things, acknowledge the receipt of consideration hereunder, if any, is in full satisfaction of any and all amounts otherwise due under such Person's applicable agreement with any Company, terminate and cancel such agreement(s) and release the Companies and Buyer from any further obligations or liability thereunder other than such payments or obligations as are set forth herein, if applicable.

(r) an Escrow Agreement among Buyer, Seller Representative and the Escrow Agent in form and substance satisfactory to Buyer and Sellers (the "Escrow Agreement"), duly executed by Seller Representative;

(s) a Bonus Pool Acknowledgement and Release duly executed by each Person who signed a Bonus Pool Agreement (whether or not such Person received any payment in connection with the transactions contemplated by this Agreement) in a form acceptable to Buyer and pursuant to which each such Person will, among other things, acknowledge the receipt of consideration hereunder, if any, is in full satisfaction of any and all amounts otherwise due under such Bonus Pool Agreement, terminate and cancel such Bonus Pool Agreement and release the Companies and Buyer from any further obligations or liability thereunder other than such payments or obligations as are set forth herein;

(t) Lock-up Agreements, duly executed by each Seller;

(u) the Estimated Cash Payment certificate referenced in Section 1.3;

(v) a funds flow memorandum, in form and substance reasonably satisfactory to Buyer, describing the financial transactions and flow of funds to take place at the Closing pursuant to this Agreement; and

(w) all other instruments and documents required by this Agreement to be delivered by the Companies or Sellers to Buyer, and such other instruments and documents which Buyer or its counsel may reasonably request to effectuate the transactions contemplated hereby.

5.2 Closing Deliveries of Buyer. At the Closing, the Buyer shall take the following actions and deliver the following documents and instruments to the Sellers, as applicable:

(a) The Estimated Cash Payment in proportion to the Pro Rata Shares;

(b) The Equity Consideration in proportion to the Pro Rata Shares in the manner contemplated by Section 1.4(b) hereof and in the amount set forth in Schedule 9 hereof;

(c) a certificate from the Secretary of Buyer, dated as of the Closing Date, attaching and certifying their respective (A) Organizational Documents and (B) authorizing resolutions approving this Agreement, the Ancillary Agreement and the transactions contemplated hereby;

(d) Evidence that the TSX has conditionally approved, subject only to customary listing conditions, the issuance of the Equity Consideration, and such approval will not have been revoked;

(e) The Escrow Agreement, duly executed by Buyer; and

(f) all other instruments and documents required by this Agreement to be delivered by Buyer to the Sellers, and such other instruments and documents which Sellers or their counsel may reasonably request to effectuate the transactions contemplated hereby.

## ARTICLE 6

### REMEDIES FOR BREACHES OF THIS AGREEMENT

#### 6.1 Indemnification by Sellers.

(a) Subject to the terms and conditions of this ARTICLE 6, Sellers, jointly and severally, will indemnify and hold harmless Buyer, each Company, each of Buyer's and each Company's respective Subsidiaries and Affiliates, and in each case their respective successors and assigns (collectively, the "Buyer Indemnitees") from and against the entirety of any Adverse Consequences that any Buyer Indemnitee may suffer or incur (including any Adverse Consequences they may suffer or incur after the end of any applicable survival period, provided that an indemnification claim with respect to such Adverse Consequence is made pursuant to this ARTICLE 6 prior to the end of any applicable survival period) resulting from, arising out of, relating to, in the nature of, or caused by (i) any breach or inaccuracy of any representation or warranty made in ARTICLE 3 of this Agreement or any other representation or warranty made by any Company in any Ancillary Agreement, (ii) any breach of any covenant or agreement of any Company, Seller Party, or Seller Representative in this Agreement or in any Ancillary Agreement, (iii) the failure to pay or otherwise fully satisfy and discharge all Designated Pre-Closing Liabilities, (iv) any Taxes for which Sellers are liable pursuant to Section 7.1 in excess of the amount accrued for in the calculation of Working Capital as included in the final determination of the Cash Payment, (v) any of the matters set forth on Schedule 6.1(a)(v), and (vi) any Adverse Consequences arising from or related to the Escrow Agreement (unless such Adverse Consequences are due to Buyer's gross negligence or willful misconduct).

(b) Subject to the terms and conditions of this ARTICLE 6, each of the Seller Parties severally, and not jointly, will indemnify and hold harmless Buyer Indemnitees, from and against the entirety of any Adverse Consequences that any Buyer Indemnitee may suffer or incur (including any Adverse Consequences they may suffer or incur after the end of any applicable survival period, provided that an indemnification claim with respect to such Adverse Consequence is made pursuant to this ARTICLE 6 prior to the end of any applicable survival period) resulting from, arising out of, relating to, in the nature of, or caused by any breach or inaccuracy of any representation or warranty made by such Seller Party in ARTICLE 3 of this Agreement or any other representation or warranty made by such Seller Party in any Ancillary Agreement.

6.2 Indemnification by Buyer. Subject to the terms and conditions of this ARTICLE 6, Buyer will indemnify and hold harmless each Seller, their respective Affiliates, and their

respective successors and assigns (the “Seller Indemnitees”) from and against the entirety of any Adverse Consequences they may suffer or incur (including any Adverse Consequences they may suffer or incur after the end of any applicable survival period, provided that an indemnification claim with respect to such Adverse Consequence is made pursuant to this ARTICLE 6 prior to the end of any applicable survival period) resulting from, arising out of, relating to, in the nature of, or caused by (a) any breach or inaccuracy of any representation or warranty made in Section 2.2 of this Agreement or in any Ancillary Agreement, and (b) any breach of any covenant or agreement of Buyer in this Agreement or in any Ancillary Agreement.

6.3 Survival and Time Limitations. All representations, warranties, covenants, obligations and agreements of the Parties in this Agreement or any other certificate or document delivered pursuant to this Agreement will survive the Closing. The right to indemnification, payment of any losses or other remedy based on such representations, warranties, covenants, obligations and agreements will not be affected by any investigation conducted, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant, obligations and agreements. If the Closing occurs, Sellers will have no liability with respect to any claim under Section 6.1(a)(i) or Section 6.1(b) unless Buyer notifies Seller Representative of such a claim on or before the date that is twenty-four (24) months of the Closing Date; provided, however, that (a) any claim relating to any representation made in Section 3.9(b) through 3.9(f) (Legal Compliance), Section 3.10 (Tax Matters), Section 3.16 (Employees), Section 3.17 (Employee Benefits), and Section 3.21 (Certain Business Relationships with the Company) may be made at any time until sixty (60) days following the expiration of the applicable statute or period of limitations applicable to such claim and (b) any claim relating to any representation made in Section 2.1(a) (Organization, Qualification, and Power), Section 2.1(b) (Authorization of Contemplated Transactions), Section 2.1(c) (Non-contravention), Section 2.1(d) (Brokers’ Fees), Section 2.1(e) (Target Securities), Section 2.1(f) (Ancillary Agreements), Section 2.1(g) (U.S. Securities Regulation), Section 2.1(h) (Canadian Securities Regulation), Section 3.1 (Organization, Qualification, and Power), Section 3.2 (Authorization of Contemplated Transactions), Section 3.3 (Capitalization and Subsidiaries), Section 3.4(b) (Non-contravention), and Section 3.5 (Brokers’ Fees) may be made at any time without any time limitation (collectively, the representations and warranties described in clauses (a) and (b) are referred to as the “Fundamental Representations”) and (c) any claim arising from fraud or willful misconduct, the items referenced in Schedule 6.1(a)(v), or the Taxes for which Sellers are liable pursuant to Section 7.1 may be made at any time without limitation. If the Closing occurs, Buyer will have no liability with respect to any claim for any breach or inaccuracy of any representation or warranty in this Agreement unless Seller Representative notifies Buyer of such a claim on or before the date that is twenty-four (24) months from the Closing Date; provided, however, that any claim relating to any representation made in Section 2.2(a) (Organization of Buyer), Section 2.2(b) (Authorization of Contemplated Transactions), Section 2.2(c) (Non-contravention), and Section 2.2(d) (Brokers’ Fees) or arising from fraud or willful misconduct may be made at any time without any time limitation. If Buyer or Seller Representative, as applicable, provides proper notice of a claim within the applicable time period set forth above, then liability for such claim will continue until such claim is resolved.

#### 6.4 Limitations on Indemnification by Seller.

(a) With respect to the matters described in Section 6.1(a)(i) and Section 6.1(b), Sellers will have no liability with respect to such matters until Buyer Indemnitees have suffered aggregate Adverse Consequences by reason of all such breaches in excess of Three Hundred Thousand Dollars (\$300,000.00 USD) (the “Threshold”) after which point Sellers shall be obligated to indemnify Buyer Indemnitees from and against all Adverse Consequences from dollar one; provided, that the foregoing limitations shall not apply in respect of any Adverse Consequences relating to (i) breaches of the Fundamental Representations, (ii) any intentional breach of a representation or warranty, or (iii) breaches arising from fraud or willful misconduct.

(b) With respect to the matters described in Section 6.1(a)(i) and Section 6.1(b), the aggregate maximum liability of Sellers shall be the amount of the Indemnity Holdback (the “Cap”); provided, that the foregoing limitation shall not apply in respect of any Adverse Consequences (i) relating to breaches of the Fundamental Representations, (ii) relating to any intentional breach of a representation or warranty, (iii) arising from fraud or willful misconduct.

(c) Subject to Section 6.9, the aggregate liability of each Seller for Adverse Consequences with respect to any indemnification claim of Buyer Indemnitees under Section 6.1 shall not exceed such Seller’s Pro Rata Share of the Base Purchase Price.

(d) In the event that the subject matter of any claim by Buyer Indemnitees for indemnification under Section 6.1 is covered by any insurance (including title insurance) held by Buyer, the Companies and/or any of their respective Affiliates (following the Closing) or any third party indemnification agreement or the like to which Buyer, the Companies and/or any of their respective Affiliates (following the Closing) is a beneficiary, the amount for which such Buyer Indemnitee is entitled to indemnification under Section 6.1 shall be reduced by the amount of insurance or other indemnification proceeds actually received (net of any costs or expenses incurred in obtaining such recoveries, including any increases in insurance premiums reasonably attributable to the applicable claim). In the event that any Buyer Indemnitee receives insurance proceeds after being paid by the Sellers with respect to an indemnifiable matter under this Article 6, Buyer Indemnitee in receipt of such insurance proceeds will remit such proceeds to the Seller Representative (net of any costs or expenses incurred in obtaining such recoveries, including any resulting increases in insurance premiums) for the benefit of the Sellers according to their respective Pro Rata Shares; provided that the remittance of such insurance proceeds shall not exceed the amount previously paid by the applicable Seller(s) with respect to such matter. For the avoidance of doubt, (i) nothing in this section shall be deemed to waive or limit the subrogation rights of any insurer and (ii) nothing in this section shall be deemed to impose any obligation on Buyer to pursue recovery from any such insurance or third-party agreement, nor to maintain any of the same.

#### 6.5 Limitations on Indemnification by Buyer.

(a) With respect to the matters described in Section 6.2(a), Buyer will have no liability with respect to such matters until Seller Indemnitees have suffered Adverse Consequences by reason of all such breaches in excess of the Threshold, after which point Buyer shall be obligated to indemnify Seller Indemnitees from and against all Adverse Consequences from dollar



one; provided, that the foregoing limitations shall not apply in respect of any Adverse Consequences (i) relating to breaches of any representation made in Section 2.2(a) (Organization of Buyer), Section 2.2(b) (Authorization of Contemplated Transactions), Section 2.2(c) (Non-contravention), and Section 2.2(d) (Brokers' Fees), (ii) relating to intention breaches of any representation or warranty, or (iii) arising from fraud or willful misconduct.

(b) With respect to the matters described in Section 6.2(a), the aggregate maximum liability of Buyer shall be the Cap; provided, that the foregoing limitation shall not apply in respect of any Adverse Consequences (i) relating to breaches of any representation made in Section 2.2(a) (Organization of Buyer), Section 2.2(b) (Authorization of Contemplated Transactions), Section 2.2(c) (Non-contravention), and Section 2.2(d) (Brokers' Fees), (ii) intentional breach of a representation or warranty, or (iii) arising from fraud or willful misconduct.

#### 6.6 Third-Party Claims; Direct Claims.

##### (a) Third Party Claims.

(i) If a third party initiates a claim, demand, dispute, lawsuit or arbitration (a "Third-Party Claim") against any Person (the "Indemnified Party") with respect to any matter that the Indemnified Party might make a claim for indemnification against any Party (the "Indemnifying Party") under this ARTICLE 6, then the Indemnified Party must promptly notify the Indemnifying Party in writing of the existence of such Third-Party Claim and must deliver copies of any documents served on the Indemnified Party with respect to the Third-Party Claim; provided, however, that any failure on the part of an Indemnified Party to so notify an Indemnifying Party shall not limit any of the obligations of the Indemnifying Party under this ARTICLE 6 (except to the extent, and only to the extent, such failure materially prejudices the defense of such proceeding).

(ii) Upon receipt of the notice described in Section 6.6(a)(i), the Indemnifying Party will have the right to defend the Indemnified Party against the Third-Party Claim with counsel reasonably satisfactory to the Indemnified Party, provided, that (i) the Indemnifying Party notifies the Indemnified Party in writing within fifteen (15) days after the Indemnified Party has given notice of the Third-Party Claim that the Indemnifying Party will indemnify the Indemnified Party from and against the entirety of any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third-Party Claim, (ii) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party will have the financial resources to defend against the Third-Party Claim and fulfill its indemnification obligations hereunder, (iii) the Third-Party Claim involves only money damages and does not seek an injunction or other equitable relief or are asserted by any Governmental Body, (iv) settlement of, or an adverse judgment with respect to, the Third-Party Claim is not, in the good faith judgment of the Indemnified Party, likely to establish a precedential custom or practice adverse to the continuing business interests or the reputation of the Indemnified Party, (v) the Indemnifying Party conducts the defense of the Third-Party Claim actively and diligently, and (vi) such Third-Party Claim is not related to a Material Supplier or Material Customer. The Indemnifying Party will keep the Indemnified Party apprised of all material developments, including

settlement offers, with respect to the Third-Party Claim and permit the Indemnified Party to participate in the defense of the Third-Party Claim.

(iii) In the event that either (x) any of the conditions under Section 6.6(a)(ii) is or becomes unsatisfied or (y) the Indemnified Party shall have reasonably concluded that there are likely to be defenses available to it that are different from or additional to those asserted by Indemnifying Party, then, in either case, (i) the Indemnified Party shall have the right to direct the defense of such Third-Party Claim (and/or consent to the entry of any judgment on or enter into any settlement with respect to the Third-Party Claim) in any manner the Indemnified Party may reasonably deem appropriate, including, without limitation, by employing separate counsel at the Indemnifying Party's expense, (ii) the Indemnifying Party will reimburse the Indemnified Party promptly and periodically for the costs of defending against the Third-Party Claim (including reasonable attorneys' fees and expenses), and (iii) the Indemnifying Party will remain responsible for any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third-Party Claim to the fullest extent provided in this ARTICLE 6.

(iv) Except in circumstances described in Section 6.6(a)(iii), neither the Indemnified Party nor the Indemnifying Party will consent to the entry of any judgment or enter into any settlement with respect to the Third-Party Claim without the prior written consent of the other party, which consent will not be unreasonably withheld or delayed.

(b) Direct Claims.

(i) Any claim for indemnification on account of Adverse Consequences which does not result from a Third Party Claim (a "Direct Claim") shall be asserted by written notice from the Indemnified Party to the Indemnifying Party as soon as reasonably practicable (and in any event within thirty (30) days) after the Indemnified Party becomes aware of the Direct Claim, which notice shall include a reasonable description of the basis for the Direct Claim; provided, however, that any failure on the part of an Indemnified Party to so notify an Indemnifying Party shall not limit any of the obligations of the Indemnifying Party under this ARTICLE 6 (except to the extent, and only to the extent, such failure materially prejudices the defense of such proceeding). The Indemnifying Party shall have fifteen (15) days after its receipt of such notice to respond in writing to a Direct Claim. If the Indemnifying Party does not so respond within such fifteen-day period, the Indemnifying Party shall be deemed to have accepted such claim, with payment due on such claim pursuant to the terms of Section 6.6(b)(ii).

(ii) Once Adverse Consequences are agreed to by the Indemnifying Party (including deemed acceptance pursuant to Section 6.6(b)(i)) or finally adjudicated to be payable in accordance with the terms of this Agreement, the Indemnifying Party shall satisfy its obligations within five (5) Business Days of such agreement or final, non-appealable adjudication by wire transfer of immediately available funds; provided, however, that to the extent that funds remain available from the Escrow Amount under the Escrow Agreement, any amounts payable to the Buyer Indemnitees shall be paid by release

of cash from the Escrow Amount pursuant to a joint written instruction provided by Buyer and Seller to the Escrow Agent under the terms of the Escrow Agreement.

6.7 Other Indemnification Matters.

(a) All indemnification payments under this ARTICLE 6 will be deemed adjustments to the Purchase Price.

(b) For purposes of determining whether there has been any misrepresentation or breach of a representation or warranty and the amount of Adverse Consequences resulting from a breach misrepresentation or breach of a representation or warranty, all qualifications or exceptions in any representation or warranty relating to or referring to the terms “material”, “materiality”, “in all material respects”, “Material Adverse Effect” or any similar term or phrase shall be disregarded except with respect to (i) the reference to Material Adverse Effect and any other use of the term “material” in Section 3.7(b) (Financial Statements but only relating to “Absence of Changes or Events”), and (iii) any representations and warranties requiring the disclosure of lists of “material” items (e.g., Contracts in Section 3.13(a)) but only with respect to whether an item was required to be disclosed on a Disclosure Schedule.

6.8 Setoff. Notwithstanding anything contained herein to the contrary, but subject to Section 6.9, Buyer Indemnitees shall be entitled, but not obligated, to recover any amounts due from Sellers under this ARTICLE 6 (to the extent such amounts are undisputed or Buyer has obtained an Order from a court of competent jurisdiction determining such amounts are so due) by setting off such amounts against any and all Restricted Shares that are subject to the transfer restrictions set forth in Section 4.3 of this Agreement, and upon Buyer’s exercise of such setoff Seller shall have no further right with respect thereto. For purposes of determining the number of Restricted Shares to be set off against any amounts due as set forth above, the value of each Restricted Share to be set off shall be equal to Forty-Five Million Dollars (\$45,000,000.00 USD) divided by the number of Buyer Shares issued as the Equity Consideration. To the extent Buyer Indemnitees exercise their setoff rights in accordance with this Section 6.8, they shall do so against each Seller’s Restricted Shares according to the Sellers’ Pro Rata Shares. Neither the exercise nor the failure to exercise such right of set off will constitute an election of remedies or limit Buyer in any manner in the enforcement of any other remedies that may be available to it.

6.9 Order of Recovery. The Buyer Indemnitees shall recover any Adverse Consequences for which they are entitled to indemnification from Sellers under this ARTICLE 6 (a) first, from the Indemnity Holdback and (b) second, to the extent Buyer Indemnitees have not recovered all such Adverse Consequences pursuant to the foregoing clause (a), the Buyer Indemnitees shall, subject to the other limitations herein, be entitled to recover any remaining amounts in respect of such Adverse Consequences from Sellers.

6.10 Exclusive Remedy. Following the Closing, except for (a) any claim based on fraud or willful misconduct, (b) the adjustment to the Cash Payment pursuant to Section 1.5, (c) any claims for indemnification under Section 4.5(g) or Section 4.5(h), and (d) any claim for specific performance or injunctive relief pursuant to Section 10.11, indemnification pursuant to this ARTICLE 6 shall be the sole and exclusive remedy for any breach of this Agreement.

6.11 Release of Indemnity Holdback. On the date that is twenty-four (24) months after the Closing Date, any remaining amounts of the Indemnity Holdback, less an amount equal to the dollar amount of any pending or outstanding claims by any Buyer Indemnitee(s) under this Agreement (such amount to be reasonably determined by Buyer acting in good faith), shall be released to the Sellers in proportion to their respective Pro Rata Shares to an account or account designated in writing by the Seller Representative, provided, however, that if at the end of the twelve (12) month period following the Closing Date (a) other than with respect to a breach of any Fundamental Representations or any matter set forth on Schedule 6.1(a)(v)(h), (i), or (j), there has been no claim for indemnification made by any Buyer Indemnitee; (b) with respect to a breach of any Fundamental Representations there have been no claims for indemnification by any Buyer Indemnitee claiming Adverse Consequences in an aggregate amount of greater than Fifty Thousand Dollars (\$50,000.00), (c) with respect to any matter set forth on Schedule 6.1(a)(v)(h), there have been no claims for indemnification by any Buyer Indemnitee claiming Adverse Consequences in an aggregate amount of greater than Fifty Thousand Dollars (\$50,000.00), (d) with respect to any matter set forth on Schedule 6.1(a)(v)(i), there have been no claims for indemnification by any Buyer Indemnitee claiming Adverse Consequences in an aggregate amount of greater than Fifty Thousand Dollars (\$50,000.00), and (e) with respect to any matter set forth on Schedule 6.1(a)(v)(j), there have been no claims for indemnification by any Buyer Indemnitee claiming Adverse Consequences in an aggregate amount of greater than Fifty Thousand Dollars (\$50,000.00), then Buyer and Seller Representative shall cause to be released to Seller Representative a portion of the Indemnity Holdback equal to (x) Four Million Dollars (\$4,000,000.00 USD) minus (y) any amount previously released to any Buyer Indemnitee in satisfaction of any indemnification claim hereunder.

## ARTICLE 7

### TAX MATTERS

The following provisions will govern the allocation of responsibility as between Buyer and Sellers for certain tax matters following the Closing Date:

7.1 Tax Indemnification. Except to the extent such Taxes are actually reflected as a liability for purposes of calculating Working Capital or included in the Transaction Expenses Balance on the Closing Statement, Sellers, jointly and severally, shall be liable for, and shall indemnify and hold Buyer Indemnitees harmless pursuant to Article 6 from, (a) all Pre-Closing Taxes, (b) all Taxes incurred by any Company caused by or resulting from the sale or exchange of the Target Securities, (c) for any Straddle Period, all Pre-Closing Taxes of each Company that relate to a Pre-Closing Straddle Period (determined in accordance with the last sentence of Section 7.3), (d) any and all Taxes of any member of an affiliated, consolidated, combined or unitary group of which any Company (or any predecessor of any of the foregoing) is or was a member on or prior to the Closing Date, including pursuant to Treasury Regulation § 1.1502-6 or any analogous or similar Law, (d) all Taxes of any Person imposed on any Company as a transferee or successor, by Contract or otherwise, which Taxes relate to an event or transaction occurring before the Closing, and (e) all sales taxes or any other Taxes relating to the sale of goods or inventory by any Company.

7.2 Tax Periods Ending on or Before the Closing Date. Sellers will prepare, or cause to be prepared, and Sellers will timely file, or cause to be filed, all income Tax Returns for the Company Group for Pre-Closing Tax Periods that are filed after the Closing Date (“Pre-Closing Tax Period Returns”). All such Tax Returns shall be prepared in a manner acceptable to Buyer. Sellers will provide Buyer with copies of any such Tax Returns for the Buyer’s reasonable review and comment, at least thirty (30) days prior to the due date thereof (giving effect to any extensions thereto) in the case of income Tax Returns and as soon as practicable in the case of all other Tax Returns, and shall make all changes to such Pre-Closing Tax Period Returns that are reasonably proposed by Buyer. Sellers will pay all Taxes due with respect to such Pre-Closing Tax Period Returns, but only to the extent such Taxes are not reflected as a liability for purposes of calculating Working Capital or included in the Transaction Expenses Balance on the final Closing Statement.

7.3 Tax Periods Beginning Before and Ending After the Closing Date. Following the Closing, Buyer shall timely prepare and file, or cause to be prepared and timely filed (taking into account all available extensions), all other Tax Returns required to be filed by each Company (the “Post-Closing Tax Returns”). Buyer will timely prepare, or cause to be prepared, and timely file, or cause to be filed, all Tax Returns for each member of the Company Group for Straddle Periods (the “Straddle Period Returns”). Buyer will provide Seller Representative with copies of any Straddle Period Returns at least thirty (30) days prior to the due date thereof (giving effect to any extensions thereto) in the case of income Tax Returns and as soon as practicable in the case of all other Tax Returns, accompanied by a statement (the “Straddle Statement”) setting forth and calculating in reasonable detail the Taxes that relate to any Pre-Closing Straddle Period (the “Pre-Closing Taxes”). If Sellers agree with the Straddle Period Return and Straddle Statement, Sellers shall pay to Buyer, not later than five (5) Business Days before the due date for the payment of Taxes with respect to such Straddle Period Return, an amount equal to the Pre-Closing Taxes as shown on the Straddle Statement, but only to the extent such Taxes are not reflected as a liability for purposes of calculating Working Capital or included in the Transaction Expenses Balance on the Closing Statement. If, within twenty (20) days after the receipt of the Straddle Period Return and Straddle Statement, Seller Representative (a) notifies Buyer that it disputes the manner of preparation of the Straddle Period Return or the Pre-Closing Taxes calculated in the Straddle Statement and (b) provides Buyer with a statement setting forth in reasonable detail its computation of the Pre-Closing Taxes and its proposed form of the Straddle Period Return and Straddle Statement, then Buyer and Sellers shall attempt to resolve their disagreement within five (5) days following the Seller Representative’s notification of Buyer of such disagreement. If Buyer and Sellers are not able to resolve their disagreement, the dispute shall be submitted to the Accountants. The Accountants will resolve the disagreement within thirty (30) days after the date on which they are engaged or as soon as possible thereafter. The determination of the Accountants shall be binding on the Parties. The cost of the services of the Accountants will be borne by the Party whose calculation of the matter in disagreement differs the most from the calculation as finally determined by the Accountants. If each of the Party’s calculation differs equally from the calculation as finally determined by the Accountants, then such cost will be borne half by Sellers and half by Buyer. For purposes of this Section 7.3, in the case of any Taxes that are imposed on a periodic basis and are payable for a Straddle Period, the portion of such Tax that relates to the portion of such Tax period ending on the Closing Date (i.e., the Pre-Closing Taxes) will (a) in the case of any Taxes other than Taxes based upon or related to income or receipts, or payroll, be deemed to equal the amount of such Tax for the entire Tax period multiplied by a fraction the numerator of which is the number of days in the Pre-Closing Tax Period and the denominator of

which is the number of days in the entire Straddle Period, and (b) in the case of any Tax based upon or related to income or receipts, or payroll, be deemed to equal the amount that would be payable if the relevant Straddle Period ended on and included the Closing Date.

7.4 Cooperation on Tax Matters. Buyer and Sellers will cooperate, as and to the extent reasonably requested by the other Party, in connection with the filing and preparation of Tax Returns pursuant to this ARTICLE 7 and any Proceeding related thereto. Such cooperation will include the retention and (upon the other Party's request) the provision of records and information that are reasonably relevant to any such Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Buyer and Sellers will retain all books and records with respect to Tax matters pertinent to the Company Group relating to any Pre-Closing Tax Period until thirty (30) days after the expiration of the statute or period of limitations of the respective Tax periods, or, to the extent notified by Buyer, extensions thereof, and to abide by all record retention agreements entered into with any Governmental Body.

7.5 Tax Controversies. Buyer shall give prompt notice to the Seller Representative of the assertion of any claim, or the commencement of any Proceeding with respect to any Tax liability of any of the Companies for which the Sellers are responsible. The Seller Representative or any one or more of the Sellers may, at its or their own expense, participate in any such Proceeding.

## ARTICLE 8

[RESERVED]

## ARTICLE 9

## DEFINITIONS

"Accountants" has the meaning set forth in Section 1.5.

"Adjustment Holdback" means Five Hundred Thousand Dollars (\$500,000.00 USD) of the Cash Payment.

"Adverse Consequences" means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, Orders, dues, penalties, fines, costs, amounts paid in settlement, liabilities, obligations, Taxes, Liens, losses, damages, deficiencies, costs of investigation, court costs, and other expenses (including interest, penalties and reasonable attorneys' fees and expenses, whether in connection with Third-Party Claims or claims among the Parties related to the enforcement of the provisions of this Agreement).

"Affiliate" means, with respect to any Person, (a) any other Person that controls, is controlled by, or is under common control with such Person, (b) any officer, director, partner, member, manager or shareholder of such Person, and (c) any parent, sibling, descendant or spouse of such Person or of any of the Persons referred to in clauses (a) and (b) or anyone sharing a home with such Person or any of the Persons referred to in clauses (a) and (b). For purposes of this definition, the term "control" of a Person shall mean the possession, directly or indirectly, of the

power to direct or cause the direction of the management or policies, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” has the meaning set forth in the preface above.

“Allocation” has the meaning set forth in Section 1.9.

“Ancillary Agreements” means all of the agreements and certificates being executed and delivered pursuant to this Agreement, including, without limitation, the Employment Agreements, the Termination Agreements, The Phantom Equity Acknowledgment and Release, the Bonus Pool Acknowledgment and Release, Lock-up Agreement, and the Restrictive Covenant, Release and Indemnification Agreements.

“Applicable Exchanges” means Nasdaq and TSX.

“Base Purchase Price” means Seventy-Five Million Dollars (\$75,000,000.00 USD)

“Beneficially Own”, “Beneficial Owner” and “Beneficial Ownership” mean, with respect to any securities, having “beneficial ownership” of such securities for purposes of Rule 13d-3 or 13d-5 under the Securities Exchange Act.

“BHB Foreign Subsidiaries” means Balanced Health Botanicals UK, Ltd and Balanced Health Botanicals International Limited.

“BHB US Subsidiaries” means CBDistillery, LLC and Bota Holdings LLC.

“BHB Sales Tax Expenses” means all costs, expenses, fines, and fees, in each case of any kind or nature, relating to (i) the Pre-Closing BHB Sales Tax or the failure to pay the same, except to the extent that the same adjusted the Cash Payment pursuant to Section 1.2(a) and (ii) the resolution of any matters or Adverse Consequences resulting from the Pre-Closing BHB Sales Tax or failure to pay the same.

“Bonus Pool Acknowledgement and Release” means the Bonus Pool Acknowledgment and Release, each in a form acceptable to Buyer, to be entered into by each Person who signed a Bonus Pool Agreement and delivered at Closing.

“Bonus Pool Agreements” means each of the Employee Bonus Pool Agreements set forth on Schedule 3.3(a).

“Business” means the business of (a) either directly or indirectly cultivating, manufacturing, formulating, processing, distributing, marketing and selling Hemp and Hemp-derived products, (b) operating as an online retailer and distributor of Hemp and Hemp-derived products, and (c) providing any other products or services that any of the Companies provided, or actively considered providing, at any time during the twelve (12) months prior to the Closing Date.

“Business Day” means any day that is not a Saturday, Sunday or any other day on which banks are required or authorized by Law to be closed in New York, NY or in Vancouver, British Columbia.

“Buyer” has the meaning set forth in the preface above.

“Buyer Financials” means Buyer’s (i) audited consolidated balance sheets, statements of income, stockholders’ equity, and cash flows as of and for the fiscal years ended December 31, 2019 and December 31, 2020; and (ii) unaudited consolidated balance sheets, statements of income, stockholders’ equity, and cash flows as of and for the six (6) month period ended June 30, 2021.

“Buyer Indemnatee” has the meaning set forth in Section 6.1.

“Buyer SEC Reports” has the meaning set forth in Section 2.2(d).

“Buyer Shares” means the common shares in the capital of Buyer.

“Canadian Restricted Period” means the period from (and including) the date hereof to (and including) the date that is the earlier of (i) four (4) months from the date hereof; and (ii) the Prospectus Supplement has become effective with the SEC.

“Cap” has the meaning set forth in Section 6.4(b).

“CARES Act” means the Coronavirus Aid, Relief, and Economic Security Act.

“CARES Funds” has the meaning set forth in Section 3.27(a).

“Cash” means the aggregate amount of cash and cash equivalents of the Companies as of the Effective Time on a consolidated basis as determined in accordance with GAAP, consistently applied; provided, that if such aggregate amount of cash and cash equivalents is a negative number, then it shall include the amount of all fees, penalties or interest related to such negative amount of Cash.

“Cash Payment” has the meaning set forth in Section 1.2(a).

“CERCLA” means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and any applicable rules, regulations, directives, Orders, and guidance promulgated thereunder, and any successor to such statute, rules, regulations, directives, Orders or guidance.

“Closing” has the meaning set forth in Section 1.7.

“Closing Date” has the meaning set forth in Section 1.7.

“Closing Statement” has the meaning set forth in Section 1.5.

“COBRA” means the requirements of Part 6 of Subtitle B of Title I of ERISA and Section 4980(B) of the Code and of any similar state Law.

“Code” means the Internal Revenue Code of 1986, as amended, and any applicable rules and regulations thereunder, and any successor to such statute, rules or regulations.



“Company” means any of BHB and the Company Subsidiaries.

“Company Group” or “Companies” means collectively BHB and the Company Subsidiaries.

“Company Subsidiaries” means the BHB US Subsidiaries and the BHB Foreign Subsidiaries.

“Company Insurance Agreements” has the meaning set forth in Section 3.14.

“Confidential Information” means any information concerning the business and affairs of the Company and its Subsidiaries not already generally available to the public.

“Consent” means, with respect to any Person, any consent, approval, authorization, permission or waiver of, or registration, declaration or other action or filing with or exemption by such Person.

“Contemplated Transactions” means the transactions contemplated by this Agreement and the other Ancillary Agreements.

“Contract” means any oral or written contract, obligation, understanding, commitment, lease, license, purchase order, bid or other agreement.

“Controlled Substances Act” means the Controlled Substances Act, 21 U.S.C. § 801 et seq.

“Copyrights” has the meaning set forth in Section 3.12(c).

“Debt” means any (a) obligations relating to indebtedness for borrowed money, (b) obligations evidenced by bonds, notes, debentures or similar instruments, (c) obligations in respect of capitalized leases (calculated in accordance with GAAP), (d) the principal or face amount of banker’s acceptances, surety bonds, performance bonds or letters of credit (in each case whether or not drawn), (e) obligations for the deferred purchase price of property or services including the maximum potential amount payable with respect to earnouts, purchase price adjustments or other payments related to acquisitions (other than current accounts payable to suppliers and similar accrued liabilities incurred in the Ordinary Course of Business, paid in a manner consistent with industry practice and reflected as a current liability in the final calculation of Working Capital), (f) obligations under any existing interest rate, commodity or other swap, hedge or financial derivative agreement entered into by the Company or its Subsidiaries prior to Closing, (g) Off-Balance Sheet Financing of the Company or its Subsidiaries in existence immediately prior to the Closing, (h) obligations to pay any dividends or distributions to any Person, (i) indebtedness or obligations of any other Person secured by any Lien on any assets of any Company, even though the Companies have not assumed or otherwise become liable for the payment thereof, (j) obligations in the nature of guarantees of obligations of the type described in clauses (a) through (i) above of any Person (other than a Company), and (k) all accrued interest on, and any applicable prepayment, redemption, breakage, make-whole or other premiums, fees or penalties due or owing in respect of, any item listed in clauses (a) through (j) above.

“Debt Amount” means all Debt of the Companies (on a consolidated basis) as of the Closing Date plus, without duplication, any amounts required to fully pay or otherwise satisfy all such Debt (including any prepayment premium or penalty, breakage costs, accrued interest and costs and expenses).

“Derivative Instrument” means any and all derivative securities (as defined under Rule 16a-1 under the Securities Exchange Act) that increases or decreases in value as the value of any Restricted Share increases or decreases, as the case may be, including a long convertible security, a long call option and a short put option position, in each case, regardless of whether (a) such derivative security conveys any voting rights in any Restricted Share, (b) such derivative security is required to be, or is capable of being, settled through delivery of any Restricted Share or (c) other transactions hedge the value of such derivative security.

“Designated Courts” has the meaning set forth in Section 10.18.

“Designated Employees” means the individuals listed in Schedule C.

“Designated Intellectual Property” has the meaning set forth in Section 3.12(c).

“Designated Pre-Closing Liabilities” means (a) any Debt of any Company as of the Closing Date which did not reduce the final Cash Payment pursuant to Section 1.5, (b) any obligation of any Company to indemnify or hold harmless any current or former manager, director or officer of any Company for claims that relate to periods prior to the Closing, (c) all Transaction Expenses which did not reduce the final Cash Payment pursuant to Section 1.5.

“Direct Claim” has the meaning set forth in Section 6.6(b)(i).

“Disclosure Schedule” means the disclosure schedule delivered by Seller to Buyer on the date hereof. The disclosures set forth in each section of the Disclosure Schedule shall qualify (a) the representations and warranties set forth in the corresponding section or subsection of Section 2.1 or ARTICLE 3 and (b) any exception or disclosure in one section or subsection of the Disclosure Schedule that is cross-referenced to another section or subsection of the Disclosure Schedule. Terms used in the Disclosure Schedule and not otherwise defined therein have the same meanings as set forth in this Agreement.

“Effective Time” has the meaning set forth in Section 1.7.

“Employee Benefit Plan” means any (a) qualified or nonqualified Employee Pension Benefit Plan or deferred compensation or retirement plan, fund, program, or arrangement, (b) Employee Welfare Benefit Plan, (c) “employee benefit plan” as such term is defined in Section 3(3) of ERISA, (d) equity-based plan, program, or arrangement (including any stock option, stock purchase, stock ownership, stock appreciation, phantom stock, or restricted stock plan) or (e) other retirement, severance, bonus, profit-sharing, incentive, health, medical, surgical, hospital, indemnity, welfare, sickness, accident, disability, death, apprenticeship, training, day care, scholarship, tuition reimbursement, education, adoption assistance, prepaid legal services, termination, unemployment, vacation or other paid time off, change in control, or other similar plan, fund, program, or arrangement, whether written or unwritten, that is sponsored, maintained, or contributed to, or required to be maintained or contributed to, by the Company or any other

Person or entity that, together with the Company, is or was treated as a single employer under Section 414(b), (c), (m) or (o) of the Code (each, together with the Company, an “ERISA Affiliate”) for the benefit of any present or former officers, employees, agents, directors, consultants, or independent contractors of the Company or an ERISA Affiliate.

“Employee Pension Benefit Plan” has the meaning set forth in Section 3(2) of ERISA.

“Employee Welfare Benefit Plan” has the meaning set forth in Section 3(1) of ERISA.

“Employment Agreements” means those employment agreements, each in a form acceptable to Buyer, entered into by the Designated Employees.

“Environmental, Health, and Safety Requirements” shall mean all Laws and Orders concerning public health and safety, worker and occupational health and safety, natural resources and pollution or protection of the environment, including all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of any Hazardous Substances, materials, or wastes, chemical substances, or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, fuel oil products and byproducts, mold, asbestos, polychlorinated biphenyls, noise, or radiation.

“Equity Consideration” has the meaning set forth in Section 1.2(b).

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and any applicable rules and regulations thereunder, and any successor to such statute, rules or regulations.

“ERISA Affiliate” means each entity that is treated as a single employer with the Company for purposes of Section 414 of the Code.

“Escrow Account” has the meaning set forth in Section 1.4(a)(v).

“Escrow Agent” means UMB Bank.

“Escrow Agreement” has the meaning set forth in Section 5.1(r).

“Estimated Cash Payment” has the meaning set forth in Section 1.3.

“Fundamental Representations” has the meaning set forth in Section 6.3.

“Fiduciary” has the meaning set forth in ERISA §3(21).

“Financial Statements” has the meaning set forth in Section 3.7(a).

“Fundamental Representations” has the meaning set forth in Section 6.3.

“GAAP” means generally accepted accounting principles in the United States as set forth in pronouncements of the Financial Accounting Standards Board (and its predecessors) and the American Institute of Certified Public Accountants, as of the date hereof.

“Governmental Body” means any foreign or domestic federal, state or local government or quasi-governmental authority or arbitration tribunal or any department, agency, subdivision, court or other tribunal of any of the foregoing, including the Applicable Exchanges.

“Hazardous Substances” means (a) petroleum or petroleum products, flammable materials, explosives, radioactive materials, radon gas, lead-based paint, asbestos in any form, urea formaldehyde foam insulation, polychlorinated biphenyls (PCBs), transformers or other equipment that contain dielectric fluid containing PCBs and toxic mold or fungus of any kind or species, (b) any chemicals or other materials or substances which are defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “toxic substances,” “toxic pollutants,” “contaminants,” “pollutants,” or words of similar import under any applicable Environmental, Health, and Safety Requirements, and (c) any other chemical, material or substance exposure to which is prohibited, limited or regulated under any applicable Environmental, Health, and Safety Requirements.

“Hemp” means the plant *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 Tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis.

“Improvements” means all buildings, structures, fixtures, building systems and equipment, and all components thereof (including the roof, foundation and structural elements), included in the Real Property.

“Indemnified Party” has the meaning set forth in Section 6.6(a).

“Indemnifying Party” has the meaning set forth in Section 6.6(a).

“Indemnity Holdback” means Eight Million Dollars (\$8,000,000.00 USD) of the Cash Payment.

“Intellectual Property” means all of the following in any jurisdiction throughout the world: (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents, patent applications, and patent disclosures, together with all reissuances, continuations, continuations-in-part, divisions, extensions, and reexaminations thereof, (b) all trademarks, service marks, trade dress, logos, slogans, trade names, corporate and business names, Internet domain names, and rights in telephone numbers, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith, (c) all copyrightable works, all copyrights, and all applications, registrations, and renewals in connection therewith, (d) all mask works and all applications, registrations, and renewals in connection therewith, (e) all trade secrets and confidential business information (including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data and information, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals to the extent the same has been treated as confidential), (f) all Software, (g) all material

advertising and promotional materials, (h) all other proprietary rights, and (i) all copies and tangible embodiments thereof (in whatever form or medium).

“Intellectual Property Agreements” means any Contract pursuant to which any Company uses Intellectual Property which is not owned by one or more Companies or pursuant to which any member of the Company Group grants any rights to any other Person with respect to any Intellectual Property owned by one or more Companies.

“Knowledge of BHB” means (a) the actual knowledge of Chase Terwilliger, Andrew Papillion, Rob Hayes and John Harloe, Brandon Townsley, Chris Van Dusen, or William Stoufer and (b) the knowledge that any such person referenced in clause (a) above, as a prudent business person, would have obtained after making due inquiry with respect to the particular matter in question.

“Knowledge of Buyer” means (a) the actual knowledge of Michael DiGiglio or Stephen Ruffini, and (b) the knowledge that any such person referenced in clause (a) above, as a prudent business person, would have obtained after making due inquiry with respect to the particular matter in question.

“Law” means any foreign or domestic federal, state, provincial or local law, statute, code, ordinance, regulation, rule, consent agreement, constitution or treaty of any Governmental Body, including common law.

“Leased Real Property” means all leasehold or subleasehold estates and other rights to use or occupy any land, buildings, structures, improvements, fixtures, or other interest in real property held by any Company or used in the Business.

“Leases” means all written or oral leases, subleases, licenses, concessions and other agreements, including all amendments, extensions, renewals, guaranties, and other agreements with respect thereto, pursuant to which any member of the Company Group holds any Leased Real Property.

“Lien” means any lien, mortgage, pledge, encumbrance, charge, security interest, adverse claim, liability, interest, charge, preemptive right, preference, priority, proxy, transfer restriction (other than restrictions under the Securities Act and state securities laws), encroachment, Tax, order, community property interest, equitable interest, option, warrant, right of first refusal, easement, profit, license, servitude, right of way, covenant or zoning restriction.

“Lock-up Agreement” means the Lock-up Agreement, each in a form acceptable to Buyer, to be entered into by each Seller and delivered at Closing.

“Material Adverse Effect” or “Material Adverse Change” means any event, change, development, or effect that, individually or in the aggregate, does have, will have, or would reasonably be expected to have, a materially adverse effect on the business, operations, assets (including intangible assets), liabilities, prospects, operating results, value, employee, customer or supplier relations, or financial condition of the Company Group, provided that none of the following shall be deemed in itself, or in any combination, to constitute, and none of the following shall be taken into account in determining whether there has been or will be, a Material Adverse

Effect or Material Adverse Change: any event arising from or relating to (i) the announcement or pendency of the transactions contemplated by this Agreement or the identity of Buyer; (ii) conditions affecting the industry in which the Companies participate, the United States economy as a whole or the capital markets in general or the markets in which the Companies operate except to the extent any of the Companies are disproportionately impacted by such event in comparison to others in the industries or markets in which they operate; (iii) changes in GAAP; (iv) the performance or compliance with the terms of, or the taking of any action required by, this Agreement, except with respect to the pursuit of any third-party consents; (v) national or international political or social conditions, including, the commencement, continuation or escalation of a war, armed hostilities or other international or national calamity or act of terrorism directly or indirectly involving the United States of America; (vi) earthquakes, hurricanes, floods or other natural disasters; or (vii) outbreaks of disease and pandemics such as the COVID 19 pandemic.

“Material Contracts” means, collectively, the Contracts required to be listed in Section 3.13(a) of the Disclosure Schedule and the Contracts required to be listed in Section 3.14(a) of the Disclosure Schedule.

“Material Customers” has the meaning set forth in Section 3.22(a).

“Material Misstatement” has the meaning set forth in Section 4.5(a).

“Material Suppliers” has the meaning set forth in Section 3.22(a).

“Most Recent Balance Sheet” means the balance sheet contained within the Most Recent Financial Statements.

“Most Recent Financial Statements” has the meaning set forth in Section 3.7(a).

“Most Recent Fiscal Month End” has the meaning set forth in Section 3.7(a).

“Most Recent Fiscal Year End” has the meaning set forth in Section 3.7(a).

“Multiemployer Plan” has the meaning set forth in Section 3(37) of ERISA.

“Nasdaq” means The Nasdaq Stock Market LLC.

“Net Names” has the meaning set forth in Section 3.12(j).

“Objections Statement” has the meaning set forth in Section 1.5.

“Off-Balance Sheet Financing” means (a) any liability of any member of the Company Group under any sale and leaseback transactions which does not create a liability on the consolidated balance sheet of the Company and (b) any liability of any member of the Company Group under any synthetic lease, Tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where the transaction is considered indebtedness for borrowed money for federal income Tax purposes but is classified as an operating lease in accordance with GAAP for financial reporting purposes.

“Order” means any order, award, decision, injunction, judgment, ruling, decree, charge, writ, subpoena or verdict entered, issued, made or rendered by any Governmental Body or arbitrator.

“Ordinary Course of Business” means the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency).

“Organizational Documents” means (a) any certificate or articles of incorporation, bylaws, certificate or articles of formation, operating agreement or partnership agreement, (b) any documents comparable to those described in clause (a) as may be applicable pursuant to any Law and (c) any amendment or modification to any of the foregoing.

“Owned Real Property” means all land, together with all buildings, structures, improvements and fixtures located thereon, including all electrical, mechanical, plumbing and other building systems, fire protection, security and surveillance systems, telecommunications, computer, wiring, and cable installations, utility installations, water distribution systems, and landscaping, together with all easements and other rights and interests appurtenant thereto (including air, oil, gas, mineral, and water rights), owned by any member of the Company Group.

“Party” or “Parties” have the meanings set forth in the preface above.

“Patents” has the meaning set forth in Section 3.12(c).

“Permit” means any license, import license, export license, franchise, Consent, permit, certificate, certificate of occupancy or Order issued by any Person.

“Permitted Lien” means any (a) liens for Taxes not yet due or payable or for Taxes that the applicable member of the Company Group is contesting in good faith through appropriate proceedings in a timely manner, in each case for which adequate reserves have been established and shown on the Most Recent Balance Sheet, (b) liens of landlords, carriers, warehousemen, workmen, repairmen, mechanics, materialmen and similar liens arising in the Ordinary Course of Business and not incurred in connection with the borrowing of money, (c) restrictions, easements, covenants, reservations, rights of way or other similar matters of title to the Leased Real Property of record, (d) zoning ordinances, restrictions, prohibitions and other requirements imposed by any Governmental Body, (e) Liens incurred or deposits made in the ordinary course of business in connection with worker’s compensation, unemployment insurance or other forms of governmental insurance or benefits, provided that appropriate reserves required by GAAP have been made in respect thereof, (f) Liens disclosed on the Disclosure Schedule, all of which do not materially interfere with the conduct of the business of the Company Group, as now conducted, or reasonably anticipated to be conducted.

“Person” means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization, other business entity, or Governmental Body.

“Personal Information” refers to data that, separately or when combined with other data, can be used to identify an individual person, such as name, address, email address, photograph, IP address, and unique device identifier.

“Phantom Equity Acknowledgment and Release” means the Phantom Equity Acknowledgment and Release, each in a form acceptable to Buyer, to be entered into by each Phantom Equity Holder and delivered at Closing.

“Phantom Equity Agreements” means each of the Equity Appreciation Rights Award Agreements set forth on Schedule 3.3(a).

“Phantom Equity Holder” means each of the individuals who entered into a Phantom Equity Agreement with the Company.

“Post-Closing Straddle Period” means the portion of the Straddle Period beginning after the Closing Date.

“Post-Closing Tax Period” means any taxable period (or portion thereof) beginning after the Closing Date.

“Post-Closing Tax Returns” has the meaning given to that term in Section 7.3.

“Pre-Closing BHB Sales Tax” means any and all Taxes payable to any Governmental Body in connection with the sale, by any Company prior to the Closing Date, of any goods, inventory, or any other item.

“Pre-Closing Straddle Period” means the portion of the Straddle Period ending on and including the Closing Date.

“Pre-Closing Straddle Period Taxes” means any Taxes of the Company and any Subsidiary allocable to the Pre-Closing Straddle Period pursuant to Section 7.2.

“Pre-Closing Taxes” has the meaning set forth in Section 7.3.

“Pre-Closing Tax Period” means any taxable period (or a portion thereof) ending on or before the Closing Date and shall include any Pre-Closing Straddle Period.

“Pre-Closing Tax Period Returns” has the meaning given to that term in Section 7.2.

“Privacy Laws” means all Laws and industry self-regulatory programs concerning the collection, use, analysis, retention, storage, protection, transfer, disclosure and/or disposal of Personal Information including HIPAA, HITECH, state consumer protection Laws, state breach notification Laws, state social security number protection Laws, the Federal Trade Commission Act, the federal Privacy Act of 1974, the Telephone Consumer Protection Act, the Fair Credit Reporting Act and its state law equivalents, each as amended from time to time, as well as the Digital Advertising Alliance’s Self-Regulatory Principles for Online Behavioral Advertising.

“Pro Rata Share” means each Seller’s percentage set forth opposite such Seller’s name in Schedule 9.



“Proceeding” means any action, audit, lawsuit, litigation, investigation or arbitration (in each case, whether civil, criminal or administrative) pending by or before any Governmental Body or arbitrator.

“Prohibited Transaction” has the meaning set forth in Section 406 of ERISA and Section 4975 of the Code.

“Prospectus Supplement” has the meaning set forth in Section 4.5(a).

“Prospectus Supplement Filing Deadline” has the meaning set forth in Section 4.5(a).

“Purchase Price” has the meaning set forth in Section 1.2.

“Real Property” means the Leased Real Property and the Owned Real Property.

“Receivables” has the meaning set forth in Section 3.7(c).

“Registrable Shares” means all of the Buyer Shares held by the Sellers, other than any such Buyer Shares that (i) have been previously sold pursuant to an effective registration statement under the Securities Act, (ii) may be resold pursuant to Rule 144 under the Securities Act without regard to paragraph (c)(1) of such rule or any of the provisions of such rule applicable to an “affiliate” of Buyer, or (iii) are no longer outstanding.

“Registration Period” has the meaning set forth in Section 4.5(d).

“Registration Statement” has the meaning set forth in Section 4.5(a).

“Released Claims” has the meaning set forth in Section 4.4.

“Released Parties” has the meaning set forth in Section 4.4.

“Releasers” has the meaning set forth in Section 4.4.

“Representative Expense Fund” means a separate bank account to be established by the Seller Representative into which Buyer shall deposit the Representative Expense Fund Amount at Closing from the Cash Payment at Closing.

“Representative Expense Fund Amount” means Two Hundred Fifty Thousand Dollars (\$250,000).

“Restricted Cash” means any Cash of the Company Group wherever and however held, where usage of the Cash is restricted by Law or contract, plus Cash equal to the amount of all outstanding checks written on an account of the Company Group that have not yet cleared, plus, if such Cash is not domiciled in the United States of America or is domiciled in the United States of America, but is restricted in any manner whatsoever, then the amount of the fees, costs, expenses, interest, penalties, reductions, withholdings, and/or Taxes or other levies imposed on with respect to, and/or related to, the repatriating, distributing, and/or transferring of such Cash to,

and/or removing any restrictions and/or limitations on, the use of such Cash in, the United States of America.

“Restricted Shares” means all of the Buyer Shares received as Equity Consideration (including any securities received as distributions thereof), provided, that such Buyer Shares shall cease to be Restricted Shares as follows: (i) with respect to one-fourth (1/4) of such Buyer Shares held by each Seller, on the Closing Date; (ii) with respect to an additional one-fourth (1/4) of such Buyer Shares held by each Seller, on the last day of the four (4) month period following the Closing Date; (iii) with respect to an additional one-fourth (1/4) of such Buyer Shares held by each Seller, on the last day of the eight (8) month period following the Closing Date; and (iv) with respect to an additional one-fourth (1/4) of such Buyer Shares held by each Seller, on the last day of the twelve (12) month period following the Closing Date.

“Restrictive Covenant, Release and Indemnification Agreement” means the Restrictive Covenant, Release and Indemnification Agreement, each in a form acceptable to Buyer, to be entered into by each beneficial owner of each Seller and delivered at Closing.

“Securities Act” means the Securities Act of 1933, as amended, and any applicable rules and regulations thereunder, and any successor to such statute, rules or regulations.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Exchange Act” means the Securities Exchange Act of 1934, as amended, and any applicable rules and regulations thereunder, and any successor to such statute, rules or regulations.

“Seller” has the meanings set forth in the preface above.

“Seller Expenses” has the meaning set forth in Section 4.5(f).

“Seller Indemnitee” has the meaning set forth in Section 6.2.

“Seller Party” has the meaning set forth in Section 2.1.

“Seller Representative” has the meaning set forth in Section 10.1(a).

“Selling Holder Counsel” has the meaning set forth in Section 4.5(f).

“Straddle Period” means any taxable period of the Company beginning before or on and ending after the Closing Date.

“Straddle Period Return” has the meaning set forth in Section 7.3.

“Straddle Statement” has the meaning set forth in Section 7.3.

“Software” means computer software programs (and all enhancements, versions, releases, and updates thereto), including software compilations, software tool sets, compilers, higher level or “proprietary” languages and all related programming and user documentation, whether in source

code, object code or human readable form, or any translation or modification thereof that substantially preserves its original identity.

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership, association, or other business entity of which (a) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof or (b) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof and for this purpose, a Person or Persons owns a majority ownership interest in such a business entity (other than a corporation) if such Person or Persons shall be allocated a majority of such business entity’s gains or losses or shall be or control any manager, management board, managing director or general partner of such business entity (other than a corporation). The term “Subsidiary” shall include all Subsidiaries of such Subsidiary.

“Systems” has the meaning set forth in Section 3.20.

“Target Securities” has the meaning set forth in the Preliminary Statement.

“Tax” or “Taxes” means any federal, state, local, or foreign income, gross receipts, license, excess and surplus lines, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental (including taxes under Section 59A of the Code), windfall profit, customs, vehicle, airplane, boat, vessel or other title or registration, capital stock, franchise, employees’ income withholding, foreign or domestic withholding, Social Security, unemployment, disability, real property, personal property, sales, use, transfer, value added, escheat, concession, alternative, add-on minimum and other tax, fee, assessment, levy, tariff, charge or duty of any kind whatsoever and any interest, penalty, addition or additional amount thereon imposed, assessed or collected by or under the authority of any Governmental Body, whether disputed or not; or (b) liability for the payment of any amounts of the type described in clause (a) above as a result of being party to any tax sharing agreement, other contract or any express or implied obligation to indemnify or otherwise assume or succeed to the Tax liability of any other Person.

“Tax Return” means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Termination Agreements” means those termination agreements, each in a form acceptable to Buyer, with the individuals identified on Schedule 5.1(g).

“Third-Party Claim” has the meaning set forth in Section 6.6(a).

“Threshold” has the meaning set forth in Section 6.4(a).

“Trademarks” has the meaning set forth in Section 3.12(c).

“Transaction Expenses” means any and all (a) legal, accounting, tax, financial advisory, environmental consultants and other professional or transaction related costs, fees and expenses incurred by Sellers or any member of the Company Group in connection with this Agreement or in investigating, pursuing or completing the transactions contemplated hereby (including any amounts owed to any consultants, auditors, accountants, attorneys, brokers or investment bankers, and including any fees associated with the escrow of the Indemnity Holdback), (b) any payments, or bonuses which become due or are otherwise required to be made as a result of or in connection with the Phantom Equity Agreements (provided that any such payments or bonuses shall be net of any Taxes withheld), and (c) payroll, employment or other Taxes, if any, required to be paid by Buyer (on behalf of any member of the Company Group) or any member of the Company Group with respect to the amounts payable pursuant to this Agreement, the amounts described in clause (a) and (b), or the forgiveness of any loans or other obligations owed by Sellers or employees in connection with the transactions contemplated by this Agreement. Notwithstanding the foregoing, and for the avoidance of doubt, to the extent any amounts otherwise constituting Transaction Expenses have been accrued for as a current liability in calculating Working Capital and the Cash Payment, such amounts shall not be deemed Transaction Expenses.

“Transaction Expenses Balance” means an amount equal to all Transaction Expenses that have not been paid prior to the Closing Date, whether or not the Company or any of its Subsidiaries has been billed for such expenses.

“TSX” means the Toronto Stock Exchange.

“Valid Business Reason” has the meaning set forth in Section 4.5.

“WARN Act” has the meaning set forth in Section 3.16(f).

“Working Capital” means an amount equal to (a) the amount of the current assets (excluding Tax assets, but including, without limitation, Cash if a positive number) of the Company Group as of the Effective Time, minus (b) the amount of the current liabilities (excluding Debt but including, without limitation, Cash if a negative number) and deferred revenue of the Company Group as of the Effective Time, in each case on a consolidated basis. For the purposes of calculating Working Capital, current liabilities shall include, without limitation, (i) accounts payable including those that are more than sixty (60) days past due, (ii) unpaid liabilities for income Taxes of the Company Group and unpaid liabilities of the Company Group for payroll, employment or similar Taxes deferred under the CARES Act, (iii) any payments, bonuses or severance which become due or are otherwise required to be made as a result of or in connection with the Closing, including, but not limited to, pursuant to the terms of the Termination Agreements, the Bonus Pool Agreements, or as a result of any change of control or other similar provisions, and (iv) any payroll, employment or other Taxes, if any, required to be paid by Buyer (on behalf of any member of the Company Group) or any member of the Company Group with respect to the amounts described in clause (iii). For purposes of clarity, Transaction Expenses shall not be accrued as a liability but shall be paid by Seller, and the Working Capital shall be otherwise calculated as if the transactions contemplated by this Agreement had not occurred. Attached hereto as Schedule D is a sample calculation of Working Capital.

“Working Capital Deficit” means the amount by which the Working Capital as of the Closing Date is less than the Working Capital Target.

“Working Capital Target” means Zero Dollars (\$0.00 USD).

## ARTICLE 10

### MISCELLANEOUS

#### 10.1 Seller Representative.

(a) By virtue of the execution of this Agreement by each Seller, and without further action of any Seller, the Sellers will be deemed to have irrevocably constituted and appointed Chase Terwilliger as “Seller Representative” (and by execution of this Agreement Chase Terwilliger hereby accepts such appointment) as agent and attorney-in-fact for and on behalf of Sellers, with full power of substitution, to act in the name, place and stead of each Seller with respect to this Agreement and the taking by Seller Representative of any and all actions and the making of any decisions required or permitted to be taken by any Seller under this Agreement, in each case either (x) on and prior to the Closing, and (y) immediately following the Closing. Such powers shall include the exercise of the power to: (i) give and receive notices and communications under this Agreement; (ii) receive and pay funds under this Agreement, (iii) prepare and deliver documents, certificates and instruments, and give instructions, under this Agreement, (iv) authorize or object to claims for indemnification made by any Buyer Indemnitee under this Agreement; (v) agree to, negotiate, enter into settlements and compromises of, and comply with orders of courts with respect to claims for indemnification made by any Buyer Indemnitee under this Agreement; (vi) agree to, negotiate, enter into settlements and compromises of, and comply with orders or otherwise handle any other matters specifically delegated to Seller Representative in this Agreement; and (vii) take all actions necessary or appropriate in the good faith judgment of the Seller Representative for the accomplishment of the foregoing; provided, that the Seller Representative shall have no authority to take any action on or prior to the Closing which would bind any Company following the Closing except as provided in this Agreement or otherwise consented to in writing by the Buyer. The power of attorney hereby is coupled with an interest and is irrevocable; provided, that the power of attorney granted by this Section shall, without any further action by any Person, be deemed automatically revoked and of no further effect with respect to any Company immediately following the Closing. The identity of the Seller Representative and the terms of the agency may be changed, and a successor Seller Representative may be appointed, from time to time (including in the event of the death, disability or other incapacity of the Seller Representative) by the consent of Sellers accounting for at least fifty percent of the Pro Rata Shares, and any such successor will succeed the Seller Representative as Seller Representative under this Agreement. Amounts paid by or on behalf of Buyer to the Seller Representative on behalf of the Sellers shall be treated as received by the Sellers.

(b) The Seller Representative will not be liable for any act done or omitted hereunder as the Seller Representative while acting in good faith and not in a manner constituting gross negligence or willful misconduct, and any act done or omitted pursuant to the advice of counsel will be conclusive evidence of such good faith. Each Seller will jointly and severally indemnify the Seller Representative and hold the Seller Representative harmless against any losses

incurred without gross negligence or willful misconduct on the part of the Seller Representative and arising out of or in connection with the acceptance or administration of the Seller Representative's duties hereunder.

(c) A decision, act, consent or instruction of the Seller Representative will constitute a decision of all Sellers and will be final, binding and conclusive upon each Seller, and Buyer, its Affiliates, any other Buyer Indemnitee and any other Person may rely upon any decision, act, consent or instruction of the Seller Representative as being the decision, act, consent or instruction of each Seller. Buyer, its Affiliates, any other Buyer Indemnitee, and any other Person are hereby relieved from any liability to any Person for any acts done by Seller Representative and any acts done by Buyer, its Affiliates, any other Buyer Indemnitee and any other Person in accordance with any such decision, act, consent or instruction of the Seller Representative in accordance with this Section.

(d) The Representative Expense Fund Amount will be deposited by Buyer in the Representative Expense Fund in accordance with Section 1.4(a). Other than the obligation to make such deposit pursuant to the terms and conditions of this Agreement, Buyer shall have no responsibility, obligation, or liability with respect to the Representative Expense Fund. The Representative Expense Fund shall be held by the Seller Representative as agent and for the benefit of the Sellers in a segregated client account and shall be used for the purpose of pay directly, or reimbursing the Seller Representative for, any expenses incurred in connection with this Agreement and the performance of the Seller Representative's duties and obligations hereunder, including to pay the fees and expenses of counsel and accountants incurred in resolving disputes with Buyer. The Seller Representative is not providing any investment supervision, recommendations or advice and shall have no responsibility or liability for any loss of principal of the Representative Expense Fund other than as a result of gross negligence or willful misconduct. The Seller Representative is not acting as a withholding agent or in any similar capacity in connection with the Representative Expense Fund, and has no tax reporting or income distribution obligations. The Sellers will not receive any interest on the Representative Expense Fund and assign to the Seller Representative any such interest. As soon as reasonably determined by the seller Representative that the Representative Expense Fund is no longer required to be withheld, and in any event not later than thirty (30) days after the later of (i) the date any remaining balance of the Indemnity Holdback is paid out to the Sellers or (ii) the date that the last indemnity claim of a Buyer Indemnitee has been finally resolved, the Seller Representative shall distribute the then-remaining amount of the Representative Expense Fund, if any, to the Sellers according to their respective Pro Rata Shares.

10.2 Press Releases and Public Announcements. No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of Buyer and BHB, which approval shall not be unreasonably withheld; provided, however, that Buyer and Buyer may make any public disclosure it believes in good faith is required by applicable Law. Prior to Closing, BHB and Buyer will consult with each other concerning the means by which any employee, customer or supplier of the Company Group or any other Person having any business relationship with the Company Group will be informed of the transactions contemplated by this Agreement. Notwithstanding the foregoing, without the consent or participation of any Seller, after the Closing, Buyer shall be permitted to issue press releases, make public announcements and communicate with employees, customers and suppliers and

engage in capital raising efforts in which the transactions contemplated by this Agreement and the Ancillary Agreements. Notwithstanding anything herein to the contrary, Buyer and its Affiliates shall have the right in connection with capital raising efforts to make generalized disclosures and statements concerning their business expansion efforts without any specific reference to the Company Group, Sellers, or their respective principals and owners.

10.3 No Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

10.4 Entire Agreement. This Agreement (including the Ancillary Agreements and other documents referred to herein) constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements, or representations by or among the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

10.5 Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of Buyer and BHB; provided, however, that Buyer may (a) assign any or all of its rights and interests hereunder to one or more of its Affiliates and designate one or more of its Affiliates to perform its obligations hereunder (in any or all of which cases Buyer nonetheless shall remain responsible for the performance of all of its obligations hereunder), (b) assign its rights under this Agreement for collateral security purposes to any lenders providing financing to Buyer or any of its Affiliates (including, after the Closing, the Companies), or (c) assign its rights under this Agreement to any Person that acquires the Companies or any of their assets.

10.6 Counterparts and Delivery. This Agreement may be executed manually or electronically in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument, and such counterparts may be delivered by any means, including by means of facsimile or portable document format (PDF).

10.7 Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

10.8 Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given (a) when delivered personally to the recipient, (b) when sent by electronic mail, on the date of transmission to such recipient if no failure to deliver message is received, (c) one (1) Business Day after being sent to the recipient by reputable overnight courier service (charges prepaid), or (d) four (4) Business Days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, and addressed to the intended recipient as set forth below:

If to Sellers or any Company: Chase Terwilliger 925 S. Garfield Street  
Denver, CO 80209

Email: [Crterwilliger@gmail.com](mailto:Crterwilliger@gmail.com)

Copy to (which shall not constitute notice): Greenberg Traurig, LLP  
1144 15<sup>th</sup> Street, Suite 3300  
Denver, CO 80202  
Attn: Ben Huber  
Email: [huberb@gtlaw.com](mailto:huberb@gtlaw.com)

If to Buyer: c/o VF U.S. Holdings, Inc.  
90 Colonial Center Parkway  
Lake Mary, FL 32746  
Attn: Cintia Zanellato  
Email: [czanellato@villagefarms.com](mailto:czanellato@villagefarms.com)

Copy to (which shall not constitute notice): Vicente Sederberg LLP  
633 West 5th Street, 26th Floor  
Los Angeles, California 90071  
Attention: David Kramer  
Email: [d.kramer@vicentesederberg.com](mailto:d.kramer@vicentesederberg.com)

Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

10.9 Governing Law. This Agreement shall be governed by and construed in accordance with the domestic Laws of the State of Delaware without giving effect to any choice or conflict of Law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware.

10.10 Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by Buyer and Seller Representative. No waiver by any Party of any provision of this Agreement or any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the Party making such waiver nor shall such waiver be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

10.11 Injunctive Relief. The Parties hereby agree that in the event of breach of this Agreement damages would be difficult, if not impossible, to ascertain, that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that, in addition to and without limiting any other remedy or right they may have, the Parties shall be entitled to seek an injunction or other equitable relief in any court of competent jurisdiction, without any necessity of proving damages or any requirement for the posting of a bond or other security, enjoining any such breach, and enforcing specifically the terms and provisions. The



Parties hereby waive any and all defenses any Party may have on the ground of lack of jurisdiction or competence of the court to grant such an injunction or other equitable relief.

10.12 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

10.13 Expenses. Except as otherwise provided in Section 1.5, each Party will bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby; provided, that all Transaction Expenses incurred by the Company Group in connection with this Agreement shall be paid by Sellers.

10.14 Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. The words “include”, “includes” and “including” when used in this Agreement shall be deemed to be followed by the phrase “without limitation” or “but not limited to”. Unless the context otherwise requires, references in this Agreement to Articles, Sections, Schedules and Exhibits shall be deemed references to Articles and Sections of, and Schedules and Exhibits to, this Agreement. Unless the context otherwise requires, the words “hereof”, “hereby” and “herein” and words of similar meaning when used in this Agreement refer to this Agreement in its entirety and not to any particular Article, Section or provision of this Agreement. When calculating the period of time before which, within which or following which any act is to be done or any step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall not be calculated as the first day of such period of time. If the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day.

10.15 Incorporation of Exhibits and Schedules. The Preliminary Statements, Exhibits and Schedules (including the Disclosure Schedules) identified in this Agreement are incorporated herein by reference and made a part hereof.

10.16 Confidentiality. Seller shall treat and hold as confidential all of the terms and conditions of the transactions contemplated by this Agreement and the other Ancillary Agreements, including the Cash Payment and the Equity Consideration; provided, however, that Sellers may disclose such information to Sellers’ legal counsel, accountants, financial planners and/or other advisors on an as-needed basis so long as any such Person is bound by a confidentiality obligation with respect thereto and Buyer may disclose such information as necessary to comply with applicable Law and the rules and regulations of the Applicable Exchanges.

10.17 Waiver of Jury Trial. EACH OF THE PARTIES WAIVES THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY AFFILIATE OF ANY OTHER SUCH PARTY, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS OR OTHERWISE. THE PARTIES AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

10.18 Exclusive Venue. THE PARTIES AGREE THAT ALL DISPUTES, LEGAL ACTIONS, SUITS AND PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT MUST BE BROUGHT EXCLUSIVELY IN A FEDERAL DISTRICT COURT LOCATED IN THE DISTRICT OF DELAWARE OR THE STATE COURT IN NEW CASTLE COUNTY, DELAWARE (COLLECTIVELY THE “DESIGNATED COURTS”). EACH PARTY HEREBY CONSENTS AND SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE DESIGNATED COURTS. NO LEGAL ACTION, SUIT OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN ANY OTHER FORUM. EACH PARTY HEREBY IRREVOCABLY WAIVES ALL CLAIMS OF IMMUNITY FROM JURISDICTION AND ANY OBJECTION WHICH SUCH PARTY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING IN ANY DESIGNATED COURT, INCLUDING ANY RIGHT TO OBJECT ON THE BASIS THAT ANY DISPUTE, ACTION, SUIT OR PROCEEDING BROUGHT IN THE DESIGNATED COURTS HAS BEEN BROUGHT IN AN IMPROPER OR INCONVENIENT FORUM OR VENUE. EACH OF THE PARTIES ALSO AGREES THAT DELIVERY OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT TO A PARTY HEREOF IN COMPLIANCE WITH SECTION 10.8 OF THIS AGREEMENT SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY ACTION, SUIT OR PROCEEDING IN A DESIGNATED COURT WITH RESPECT TO ANY MATTERS TO WHICH THE PARTIES HAVE SUBMITTED TO JURISDICTION AS SET FORTH ABOVE.

10.19 Privilege. Buyer agrees that, as to all communications among Greenberg Traurig, LLP, the Companies and the Sellers that relate in any way to the transactions contemplated by this Agreement and the Ancillary Agreements, the attorney-client privilege and the expectation of client confidence belongs to the Sellers and may be controlled by the Sellers and shall not pass to or be claimed by Buyer or the Companies. Notwithstanding the foregoing, in the event that a dispute arises between Buyer, the Companies and a third party other than a Party to this Agreement after the Closing, the Companies, as applicable, may assert the attorney-client privilege to prevent disclosure of confidential communications by Greenberg Traurig, LLP, to such third party; provided that none of the Companies may waive such privilege without the prior written consent of the Seller Representative.

*[Remainder of page intentionally left blank]*

The Parties hereto have executed this Membership Interest Purchase Agreement as of the date first above written.

**BUYER:**

Village Farms International, Inc.

By: /s/ Stephen C. Ruffini  
Name: Stephen Ruffini  
Title: Chief Financial Officer

**BHB:**

Balance Health Botanicals, LLC

By: /s/ Chase Terwilliger  
Name: Chase Terwilliger  
Title: Chief Executive Officer

**SELLERS:**

MSRP Zone LLC

By: /s/ Chuck McKenney  
Name: Chuck McKenney  
Title: Manager

BDH Partners LLC

By: /s/ Andrew Papilion  
Name: Andrew Papilion  
Title: Manager

A&E Holdings, LLC

By: /s/ Alex Iwanchuck  
Name: Alex Iwanchuck  
Title: Managing Member

CJA Holdings, LLC

By: /s/ Chris Van Dusen  
Name: Chris Van Dusen  
Title: Managing Member

**SELLER REPRESENTATIVE**

/s/ Chase Terwilliger  
Chase Terwilliger

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael A. DeGiglio, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Village Farms International, Inc. for the quarter ended September 30, 2021;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 9, 2021

/s/ Michael A. DeGiglio

Name: Michael A. DeGiglio

Title: Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen C. Ruffini, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Village Farms International, Inc. for the quarter ended September 30, 2021;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 9, 2021

/s/ Stephen C. Ruffini

Name: Stephen C. Ruffini

Title: Chief Financial Officer

(Principal Financial Officer)

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Village Farms International, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael A. DeGiglio, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 9, 2021

/s/ Michael A. DeGiglio

Name: Michael A. DeGiglio

Title: Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Village Farms International, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen C. Ruffini, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 9, 2021

/s/ Stephen C. Ruffini

Name: Stephen C. Ruffini

Title: Chief Financial Officer  
(Principal Financial Officer)