

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-K**

(Mark one)

**ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2025.

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-38783

**VILLAGE FARMS INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

Ontario  
(State or other jurisdiction of  
incorporation or organization)

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

90 Colonial Parkway  
Lake Mary, Florida 32746  
(Address of principal executive offices)

(407) 936-1190  
(Registrant's telephone number, including area code)

**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

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES  NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities 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 (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the other registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Act). YES  NO

The aggregate market value of the voting stock and nonvoting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked prices of such common equity, as of June 30, 2025 was \$110,724,400.

As of March 6, 2026, the registrant had 115,104,420 Common Shares outstanding.

**PCAOB:** 185      **Auditor Name:** KPMG LLP      **Auditor Location:** Orlando, Florida

#### **DOCUMENTS INCORPORATED BY REFERENCE**

The following materials are incorporated by reference into this Form 10-K:

Information contained in the definitive proxy statement for the registrant's 2026 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year ended December 31, 2025, is incorporated by reference in Parts III and IV to the extent described therein.

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*As used in this report, 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 Annual Report on Form 10-K to “\$” means U.S. dollars and all references to “C\$” means Canadian dollars.*

*This Annual Report on Form 10-K contains certain trademarks, trade names and service marks of ours, as described in Item 1, “Business—Intellectual Property”. This report also contains trademarks, trade names and service marks that are owned by other persons or entities.*

*This Annual Report on Form 10-K 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 Annual Report on Form 10-K 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, tariffs, taxes, plans and objectives of or involving the Company or statements regarding the anticipated benefits from the closing of the transaction involving Vanguard Food LP. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for the Company, the greenhouse vegetable or produce industry, the cannabis industry and market and our energy segment are forward-looking statements. In some cases, forward-looking information can be identified by such terms as “can”, “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 Annual Report on Form 10-K are subject to risks that may include, but are not limited to: our limited operating history in the cannabis and cannabinoids industry, including that of Pure Sunfarms, Corp. (“Pure Sunfarms”), Rose LifeScience Inc. (“Rose” or “Rose LifeScience”), Balanced Health Botanicals, LLC (“Balanced Health”) and Village Farms International B.V (“VF International”); the limited operational history of the Delta RNG Project in our energy segment; the legal status of the cannabis business of Pure Sunfarms, Rose, and VF International and the hemp business of Balanced Health and uncertainty regarding the legality and regulatory status of cannabis and cannabinoid (CBD) products in the United States; risks relating to the implementation and enforcement of the November 2025 Appropriations Act (as defined below); risks relating to the integration of Balanced Health and Rose into our consolidated business; risks relating to obtaining additional financing on acceptable terms, including our dependence upon credit facilities and dilutive transactions; potential difficulties in achieving and/or maintaining profitability; variability of product pricing; risks inherent in the cannabis, hemp, CBD, cannabinoids, and agricultural businesses; our market position and competitive position; our ability to leverage current business relationships for future business involving hemp and cannabinoids; the ability of Pure Sunfarms and Rose to cultivate and distribute cannabis in Canada as well as exports; risks related to the start-up of international production at our Netherlands operations under Leli; existing and new governmental regulations, including risks related to regulatory compliance and regarding obtaining and maintaining licenses required under the Cannabis Act (Canada), the Criminal Code and other Acts, S.C. 2018, C. 16 (Canada) for our Canadian operational facilities, and changes in our regulatory requirements; legal and operational risks relating to expected conversion of our greenhouses to cannabis production in Canada and in the United States; 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 hemp, cannabidiol-based products commercialization; 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; inflationary effects on costs of cultivation and transportation; recessionary effects on demand of our products; environmental, health and safety risks, foreign exchange exposure, risks associated with cross-border trade and the potential for tariffs and other trade restrictions; difficulties in managing our growth; restrictive covenants under our credit facilities; natural catastrophes; elevated interest rates; 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 Annual Report on Form 10-K 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, which 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 Annual Report on Form 10-K.*

*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 report relate only to events or information as of the date on which the statements are made in this report. 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.

### ITEM 1. BUSINESS

#### Our Mission and Brands

Our mission is to apply decades of innovation in intensive agriculture to build a sustainable path forward for the global cannabis industry. To achieve this, we are building upon over three decades of leadership in Controlled Environment Agriculture ("CEA"), asset development and management, marketing of plant-based consumer packaged goods to deliver a full suite of recreational and medicinal products and brands to regulated cannabis markets across the world.

We have leveraged our expertise as a pioneer in CEA to contribute meaningfully to the development of the global legal cannabis industry. Pure Sunfarms Corp. ("Pure Sunfarms" or "PSF") and Rose LifeScience Inc. ("Rose LifeScience" or "Rose") comprise our Canadian cannabis businesses. Pure Sunfarms is one of the largest and most respected cannabis growers in the world and the leading flower brand in Canada. Rose is a leading vertically integrated, branded cannabis producer, supplier and commercialization expert in the Province of Quebec.

Balanced Health Botanicals, LLC ("Balanced Health" or "BHB") is our U.S. Cannabis business. Balanced Health owns and operates one of the leading brands in the hemp-derived cannabidiol ("CBD") and other cannabinoids markets, produces high quality health and wellness products and distributes primarily through its top-ranked e-commerce platform, CBDistillery™.

Village Farms Clean Energy ("VFCE") has partnered with Terreva Renewables (formerly Mas Energy) for a 20-year contract, which commenced in 2024 (including a five-year option to extend) with the City of Vancouver to capture landfill gas at the Delta, B.C. landfill site (the "Delta RNG Project"). The Delta RNG Project converts VFCE's previous landfill gas-to-electricity business into a state-of-the-art landfill gas to high-demand renewable natural gas ("RNG") facility. Under the contract, Terreva Renewables sells renewable natural gas and VFCE receives a portion of the revenue in the form of a royalty.

Leli Holland B.V. ("Leli" or "Leli Holland"), which formally changed its name to Village Farms International B.V. on March 6, 2026, is one of ten licensed legal producers of cannabis in the Netherlands under the 2017-2021 Coalition Agreement (further ratified by the 2021-2025 Coalition Agreement) called The Controlled Cannabis Supply Chain Experiment. Our licensed producer started to supply legal, quality-controlled cannabis to designated Dutch coffee shops in the first quarter of 2025.

Village Farms Fresh, our produce business, has pioneered Controlled Environment Agriculture ("CEA") in North America and helped feed a hungry planet with sustainable greenhouse growing for over three decades. We produce fresh, premium-quality produce with consistency, 365 days a year, from more than two million square feet of CEA greenhouses in British Columbia ("B.C.").

#### Our Commitment and Values

Our core operating principle is to deliver fairness and satisfaction in our customer promise. Our global team is united by our shared core values: Versatility, Innovation, Leadership, Loyalty, Accountability, Grit and Entrepreneurship. We strive to operate the business for optimal success by endeavoring to be:

- a responsible producer of high-quality products
- a reliable, trusted partner to customers
- a provider of excellence in customer service and logistics
- a business with a solid balance sheet
- a company which enhances shareholder value
- a trusted steward of the environment
- a workplace where all employees can grow and prosper
- an employer for people who want to make a difference in the world

For over thirty years, we have pioneered CEA in North America feeding an increasing population through sustainable greenhouse growing. In 2017, we expanded from produce, leveraging our considerable knowledge, to the emerging legal cannabis and health and wellness market. We envisioned and created Pure Sunfarms to artfully blend our decades of CEA expertise with hands-on knowledge of legacy growing practices in cannabis. We invest in, and partner with, companies that share our values and respect for people and the environment. We believe a focus on innovation is a key driver of growth in our markets.

We are extremely proud of many things that we achieved over the past three-plus decades, but none more than our highly responsible approach to the environment. From our sustainably sourced inputs and sustainable growing methods to our use of clean energy and other innovative technologies, we are proud to bring sustenance and wellbeing to our consumers in a way that is ethical and responsible to the planet.

Our state-of-the-art, technology-based CEA facilities use less water, land and chemicals than outdoor farming and we aim to introduce new technologies to be greener in the future. The earth's finite water supply is one of its most precious resources and our hydroponic growing method sterilizes and recirculates the same water multiple times, so that 100% of the water reaches the plants. Our proficient growing methods deliver vastly more yield per acre compared to outdoor growing, without depleting the soil. We use beneficial insects to control pests and promote healthy plant growth, and administer organic pesticides, so our GMO-free crops grow in a nourishing environment free of harmful chemicals. In one of our Delta greenhouses, we collect, filter and utilize rainwater for our plants. Our Delta greenhouses also use renewable hydroelectricity as the main power source, provide innovative energy screens to help capture the sun's warmth and prevent heat loss, and employ blackout curtains to reduce light pollution, all in an effort to minimize our impact to the local community and ecosystem.

## **Business Overview**

Village Farms International, Inc. ("VFF", together with its subsidiaries, the "Company", "Village Farms", "we", "us", or "our") converted from an income trust to a publicly-traded company on December 31, 2009. Our subsidiaries operated vegetable producing greenhouses since 1989 and began production in Texas in 1996. On October 18, 2006, the merger between Village Farms and Hot House Growers resulted in one of the largest producers, marketers and distributors of greenhouse grown products in North America. VFF pioneered CEA in North America, and over the years transformed the organization, adapting to meet industry changes and customer preferences, in order to persevere and remain one of the largest and longest-operating vertically integrated greenhouse growers in North America.

Our Canadian cannabis operations consist of wholly-owned, British Columbia-based Pure Sunfarms and 80% ownership interest in Quebec-based Rose LifeScience. Pure Sunfarms is one of the single largest cannabis cultivation operations in the world, one of the lowest-cost greenhouse producers and one of the best-selling brands in Canada. Pure Sunfarms leverages our 30-plus years of experience as a vertically integrated greenhouse grower for the legal cannabis industry in Canada with commercial distribution in every Canadian province and territory. In September 2021, Pure Sunfarms began exporting medicinal cannabis products to Australia. In March 2022, our Delta cannabis facilities received European Union Good Manufacturing Practice ("EUGMP") certification, which permits the importation of medicinal cannabis into countries such as Germany and the United Kingdom. Today we believe Pure Sunfarms is the largest exporter of medicinal cannabis in the world. Our primary objective for Pure Sunfarms is to be the leading low-cost, high-quality cannabis producer in Canada and select international medicinal markets. Rose is a leading vertically integrated, branded cannabis producer, supplier and commercialization expert in the Province of Quebec and is the Quebec operational unit of our Canadian cannabis segment.

Our U.S. cannabis operations consist of wholly-owned, Colorado-based Balanced Health. Balanced Health owns and operates one of the leading brands in the hemp-derived CBD/cannabinoid market in the United States, providing us with access to the U.S. Cannabinoid market in a consumer products category adjacent to the high-tetrahydrocannabinol ("THC") cannabis market, as well as the broader consumer packaged goods wellness arena. Balanced Health has established a diverse portfolio of CBD and other cannabinoid products, including ingestible, edible and topical applications that are distributed through its top-ranked e-commerce platform, CBDistillery™ ([www.theCBDistillery.com](http://www.theCBDistillery.com)), as well as through brick-and-mortar retail channels.

Our Cannabis Netherlands operations consists of wholly-owned Leli Holland subsidiary in the Netherlands. Leli Holland holds one of 10 licenses to produce and distribute recreational cannabis in the regulated program in the Netherlands, which has a population of over 18 million people. Leli Holland's production facility in Drachten was completed in October 2024, with the first commercial sales to designated Dutch coffee shops in February 2025. Our second facility in Groningen will be substantially completed in late March 2026 with operations planned to commence in the second quarter of 2026.

We have completed the transition of our VFCE operation to a renewable natural gas facility in partnership with Atlanta-based Terreva Renewables. Operations began in 2024. Leveraging state-of-the-art technologies, the Delta RNG facility purifies and converts landfill (methane) gas that would otherwise escape into the atmosphere to high-demand RNG. This new operation has already contributed incremental cash flow and profitability to Village Farms.

We continue to produce and distribute fresh, premium-quality produce from one 60 acre greenhouse in Delta, British Columbia. We sold substantially all of our U.S. produce business (the "Produce Business") in a transaction with Vanguard Food GP LLC, Vanguard Food LP and certain of its subsidiaries (collectively, "Vanguard") on May 30, 2025, but we retained ownership of two Texas greenhouses for the future use as cannabis facilities, upon legalization in the United States, or upon receipt of a Texas medicinal cannabis license. See "Our Produce Segment" below for more information. All of our produce is currently subject to a sales and marketing agreement with Vanguard Produce Canada ULC as our sole customer, who in turn sells our produce to retail supermarkets and dedicated fresh food distribution companies throughout the United States and Canada.

## **Our Canadian Cannabis Segment**

Village Farms' Canadian cannabis segment consists of Pure Sunfarms and Rose LifeScience.

### Pure Sunfarms

Pure Sunfarms is a core component of our Canadian cannabis platform, operating large-scale greenhouse cultivation and processing assets in British Columbia and supplying cannabis products to both domestic and international markets. Since the end of 2024, our Canadian cannabis business has sold products in every Canadian province and territory.

In the fourth quarter of 2025, we believe our Canadian cannabis business had the fourth largest market share (by dollars) in Canada across all product categories (5.5% share of market, a decrease of 70 bps over fourth quarter of 2024) and the largest market share in the dried flower product category (12.8% share of market, a decrease of 280 bps over the fourth quarter of 2024). For the full year, our market share across all product categories decreased 140 basis points to 5.9% of total share of market.

We believe that Pure Sunfarms is the leading low-cost, high-quality producer in the Canadian market and its low-cost structure, primarily driven by economies of scale and large-scale greenhouse experience, is sustainable and provides a competitive industry advantage. Pure Sunfarms' cost structure, together with investment in branding and commercialization activities, is intended to support a continued incremental expansion of market share.

Due to Health Canada's limitations on marketing, and stringent branding and packaging rules, it is difficult for consumers to distinguish between different products, which places more emphasis on the management of price, potency, quality, and consistency. We believe the deep agricultural expertise of growers and excellence in brand management sets Pure Sunfarms products apart from competitors, by providing high quality cannabis to consumers at attractive prices.

Cannabis retail channels remain competitive across the country and are consolidating in select markets. Historical excess supply of product and a large number of federally-licensed cannabis producers ("License Holders" or "LPs") have contributed to price compression. Starting in 2023, many LPs choose to either curtail or halt cannabis production to right size their supply to meet consumer demand, which we believe has been a positive for industry profitability.

In August 2025, we announced our decision to complete the conversion of the remaining half of our Delta 2 greenhouse (1.1 million square feet) to growing cannabis. We expect that the incremental square footage will commence production in the summer of 2026, with sales estimated to ramp up starting in the second half of 2026, with full ramp up estimated to be achieved in the calendar year 2027, which we expect will increase our cannabis production by 33%.

Pure Sunfarms received European Union Good Manufacturing Practice ("EU GMP") certification in 2022 for its 1.1 million square foot Delta 3 facility in Delta, British Columbia ("Delta 3"), permitting the export of EU GMP-certified medical cannabis to international markets that require such certification. Pure Sunfarms began exporting to Israel at the end of 2022, expanded exports to Germany and the United Kingdom in the fourth quarter of 2023, continues to export to Australia and began exporting to New Zealand in 2025. Management expects that continued international expansion will enhance profitability while broadening the company's brand presence and capabilities in emerging legal cannabis markets, and Pure Sunfarms continues to evaluate additional profitable international opportunities.

### Rose LifeScience

Rose is the Quebec-based operational unit of our Canadian Cannabis business, with its headquarters in Huntingdon, Quebec. We acquired 70% ownership of privately-held Rose on November 15, 2021 and an additional 10% ownership on May 29, 2024, with the 20% balance held by founders.

Rose cultivates and processes cannabis at its Huntingdon-based 55,000 square-foot CEA facility. The indoor, controlled growing facility was commissioned in 2020 and is licensed for use by Health Canada. Rose has been granted environmental rebates from the government of Quebec for its energy efficient design. The CEA is outfitted with special filtration on the facility exhausts to reduce greenhouse gas emissions, lessen odors and minimize the impact on the local community.

Rose sells its own cannabis products under five brands: nationally distributed Homage, Tam Tams, Promenade, DLYS and Pure Laine. Promenade is a collaboration with Pure Sunfarms. Rose holds the number three position in Quebec in terms of market share during 2025.

Rose is also a leading third-party cannabis products commercialization expert in the Province of Quebec, acting as the exclusive, direct-to-retail sales, marketing and distribution entity for other best-known brands in Canada as well as Quebec-based micro and craft growers. With decades of regulated-market experience, Rose partners with cannabis companies to assist in commercializing their products, distributing the products throughout Quebec and ensuring a strong presence in the marketplace. Rose champions Quebec producers by working directly with micro-producers to advance homegrown, craft products in the province and easing the burden of commercial complexities facing smaller, local businesses.

We believe our Canadian cannabis business is well-positioned for future growth with best-selling brands, backed by a low-cost large-scale structure and continued pursuit of future opportunities to expand sales, products and footprint in Canada and internationally.

## ***Canadian Cannabis Industry Overview***

### *Legal History of Medical Cannabis in Canada*

Prior to October 17, 2018, the production, distribution, and use of cannabis for medical use had been legal in Canada since 2001, first under the federal *Medical Marihuana Access Regulations*, which established a legal regime for the licensing of cannabis producers and the sale of dried cannabis to registered patients pursuant to a medical document provided by a health care practitioner. The *Medical Marihuana Access Regulations* were later replaced with the *Marihuana for Medical Purposes Regulations* (“MMPR”), and then the *Access to Cannabis for Medical Purposes Regulations* (“ACMPR”) as a result of a decision by the Federal Court of Canada (the “Federal Court”) in *Allard v. Canada*. The Federal Court held that requiring individuals to obtain cannabis only from federally licensed cannabis producers violated liberty and security rights protected by section 7 of the *Canadian Charter of Rights and Freedoms*. The Federal Court found that individuals who require cannabis for medical purposes did not have “reasonable access” under the MMPR regime. Accordingly, the ACMPR contemplated both access to medical cannabis through a License Holder or through personal production exemptions, thereby giving patients reasonable access to, and choice of, cannabis product. The ACMPR provided three possible alternatives for individuals to access cannabis for medical purposes: (i) they can continue to access quality-controlled cannabis by registering with federal License Holders; (ii) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes (starting materials must be obtained from a License Holder); or (iii) they can designate someone else who is registered with Health Canada to produce cannabis on their behalf (starting materials must be obtained from a License Holder).

### *Current Applicable Regulatory Regime*

On October 17, 2018, the federal *Cannabis Act* and accompanying Regulations, including the *Cannabis Regulations*, the new *Industrial Hemp Regulations* (“IHR”) (together with the *Cannabis Regulations*, collectively, the “Regulations”), came into force, legalizing the production, distribution, and sale of cannabis for adult non-medicinal (i.e. recreational) purposes, as well as incorporating the existing medical cannabis regulatory scheme under one complete framework.

On October 17, 2019, the *Cannabis Regulations* were amended to expand the legally permitted categories of cannabis products and support the production and sale of edible cannabis, cannabis extracts and cannabis topicals. The amendments, among other things, outline the rules relating to packaging, labelling, and advertising, shelf-stability, cannabinoid concentration levels, restrictions on ingredients, and production and sanitation standards for edible cannabis, cannabis extracts and cannabis topical products. December 16, 2019 was the earliest date that the new classes of cannabis products could be available for sale. Edible cannabis, as well as extracts and topicals, are all now available for sale in the legalized recreational market in Canada subject to certain province specific restrictions.

Pursuant to the federal regulatory framework in Canada, each province and territory may adopt its own laws governing the distribution, sale and consumption of cannabis and cannabis accessories within the province or territory. All Canadian provinces and territories have implemented mechanisms for the distribution and sale of cannabis for recreational purposes within those jurisdictions, and retail models vary between jurisdictions.

The *Cannabis Act* maintains separate access to cannabis for medical purposes, including providing that import and export licenses and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp. Part 14 of the *Cannabis Regulations* sets out the regime for medical cannabis following legalization, which is substantively the same as the ACMPR with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system. Patients who have the authorization of their healthcare provider continue to have access to cannabis, either purchased directly from a federal License Holder authorized to sell for medical purposes, or by registering to produce a limited amount of cannabis for their own medical purposes or designating someone to produce cannabis for them.

### *Adult Use Cannabis*

We participate in the Canadian adult use market for cannabis in compliance with all applicable federal and provincial laws and regulations concerning the Canadian adult use cannabis market. The *Cannabis Act* and the *Cannabis Regulations* provide a licensing scheme for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession, and disposal of cannabis for non-medicinal use (i.e., adult recreational use). Transitional provisions of the *Cannabis Act* provide that every license issued under the ACMPR that is in force immediately before the day on which the *Cannabis Act* comes into force is deemed to be a license issued under the *Cannabis Act*, and that such license will continue in force until it is revoked or expires.

Below are additional highlights of the *Cannabis Act*:

- Places restrictions on the amount of cannabis that individuals can possess and distribute, and on public consumption and use, and prohibits the sale of cannabis unless authorized by the *Cannabis Act*.
- Permits individuals who are 18 years of age or older to cultivate, propagate, and harvest up to and including four cannabis plants in their dwelling-house, propagated from a seed or plant material authorized by the *Cannabis Act*.
- Restricts (but does not strictly prohibit) the promotion and display of cannabis, cannabis accessories and services related to cannabinoids to consumers, including restrictions on branding and a prohibition on false or misleading promotion and on sponsorships.
- Permits the informational promotion of cannabis by entities licensed to produce, sell, or distribute cannabis in specified circumstances to individuals 18 years and older.
- Introduces packaging and labelling requirements for cannabis and cannabis accessories and prohibits the sale of cannabis or cannabis accessories that could be appealing to young persons.
- Provides the designated minister with the power to recall any cannabis or class of cannabis on reasonable grounds that such a recall is necessary to protect public health or public safety.
- Establishes a national cannabis tracking system to monitor the movement of cannabis from where it is grown, to where it is processed, to where it is sold.
- Provides powers to inspectors for the purpose of administering and enforcing the *Cannabis Act* and a system for administrative monetary penalties.

#### *Licenses, Permits and Authorizations*

The *Cannabis Regulations* establish the following classes of licenses:

- license for cultivation;
- license for processing;
- license for analytical testing;
- license for sale;
- license for research; and
- a cannabis drug license.

The *Cannabis Regulations* also create subclasses for cultivation licenses (standard cultivation, micro-cultivation and nursery) and processing licenses (standard processing and micro-processing). Different licenses and each sub-class therein, carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each license category and each sub-class. Licenses that were issued under the ACMPR are deemed to be licenses issued under the *Cannabis Act*. Licenses issued under the *Cannabis Act* have associated expiry dates and are subject to renewal requirements.

#### *Security Clearances*

Certain individuals associated with cannabis licensees, including individuals occupying “key positions”, directors, officers, individuals who exercise, or are in a position to exercise, direct control over the corporate licensee, and other individuals identified by the Minister of Health (the “Minister”), must hold a valid security clearance issued by the Minister. Under the *Cannabis Regulations*, the Minister may refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption, or violent offences. This was largely the approach in place under the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes. Individuals having a history of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) are not precluded from participating in the legal cannabis industry, however, grant of security clearance to such individuals is at the discretion of the Minister and such applications are reviewed on a case-by-case basis.

#### *Cannabis Tracking System*

Under the *Cannabis Act*, the Minister is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain, to help prevent cannabis from being diverted to an illicit market or activity and to help prevent illicit cannabis from being a source of supply of cannabis in the legal market. Pursuant to the Ministry of Health’s Cannabis Tracking System Order (the “Order”), a holder of a federal license for cultivation, a license for processing or a license for sale for medical purposes that authorizes the possession of cannabis must report monthly to the Minister

with specific information about their authorized activities with cannabis (e.g. cannabis inventory quantities), in the form and manner specified by the Minister. The Order also provides for monthly reporting by provincial bodies and provincially authorized private retailers of certain information in the form and manner specified by the Minister.

### *Cannabis Products*

The *Cannabis Regulations* set out the requirements for cannabis products that are permitted for sale at the retail level, including the limit on THC content, permitted ingredients, limit on pest control product residues, as well as microbial and chemical contaminants. As of October 17, 2019, the *Cannabis Act* and *Cannabis Regulations* permit the sale of the following classes of products: dried cannabis, cannabis oil, fresh cannabis, cannabis plants, cannabis plant seeds, as well as cannabis edibles, cannabis extracts and cannabis topicals.

### *Packaging and Labeling*

The *Cannabis Regulations* set out strict requirements pertaining to the packaging and labeling of cannabis products. These requirements are intended to promote informed consumer choice and safe consumption and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth.

The *Cannabis Regulations* require all cannabis products to be packaged in a manner that is tamper-proof and child resistant. Strict limitations are also imposed on the use of colors, graphics, and other special characteristics of packaging. Cannabis package labels must include specific information, such as (i) product source information, including brand name, the class of cannabis and the name, phone number and email of the licensed processor or cultivator, (ii) mandatory warnings, including rotating health warning messages on Health Canada's list of standard health warnings; (iii) the Health Canada standardized cannabis symbol; and (iv) information specifying THC and CBD content.

A cannabis product's brand name may only be displayed once on the principal display panel or, if there are separate principal display panels for English and French, only once on each principal display panel. It can be in any font style and any size, so long as it is equal to or smaller than the health warning message. The font must not be in metallic or fluorescent color. In addition to the brand name, only one other brand element can be displayed. Such brand element must meet the same requirements noted above as the brand name, and if an image, it must be in a size equal to or smaller than the surface area of the standardized cannabis symbol.

### *Health Products Containing Cannabis*

Health Canada is taking a scientific, evidenced-based approach for the oversight of health products with cannabis that may be approved with health claims, including prescription and non-prescription drugs, veterinary drugs, and medical devices. Under the current regulatory framework, health products are subject to the *Food and Drugs Act* (Canada) and its regulations and may be additionally regulated by the *Cannabis Act* and the *Cannabis Regulations*. For many of these products, pre-market approval from Health Canada is required.

### *Recent Major Developments to the Federal Regulatory Framework*

In December 2022, the *Cannabis Act* and *Cannabis Regulations* were amended to facilitate non-therapeutic research with cannabis, facilitate cannabis testing, and increase the public possession limit for cannabis beverages. Amongst other changes, the amendments provided that most non-therapeutic research on cannabis are exclusively regulated under the *Cannabis Regulations*, with a few exceptions. Additionally, the public possession limit for cannabis beverages was increased to 17.1 litres (equal to 48 cans of 355 ml each) of cannabis beverages in public for non-medical purposes, a level that is similar to other forms of cannabis.

The *Cannabis Act* requires that the Minister of Health cause a review of the Act and its administration and operation three years after its coming into force. The Minister is required to table a report in both Houses of Parliament no later than 18 months after the start of the review. To fulfill these requirements, the Minister of Health and the Minister of Mental Health and Addictions announced an independent Expert Panel to lead the legislative review, and provide independent, expert advice to both Ministers on progress made towards achieving the Act's objectives and help identify priority areas for improving the functioning of the legislation. From December 2022 to June 2023, the Expert Panel sought feedback from the public on their views about the impacts of the *Cannabis Act*, and sought the public's perspective on the engagement paper regarding the legalization of cannabis in Canada. The Expert Panel published its final report in March 2024, which identified 54 recommendations and 11 observations to strengthen and improve the administration of the *Cannabis Act*, some of which were considered in the development of Health Canada's *Regulations Amending Certain Regulations Concerning Cannabis (Streamlining of Requirements)* consultation and amendments.

In March 2025, the federal government enacted the most extensive update to the cannabis regulatory framework since legalization in 2018. The amendments implement several of the Expert Panel's recommendations, aimed at reducing regulatory burden and supporting diversity and competition in the legal cannabis market while maintaining the *Cannabis Act*'s public health and public safety objectives. The amendments focus on: (1) licensing, (2) personnel and physical security measures, (3) production requirements, (4) packaging and labelling requirements, and (5) record keeping and reporting requirements.

## *Possible Changes to the Federal Regulatory Framework*

In February 2024, the Canadian House of Commons Standing Committee on Finance released a report outlining several recommendations regarding the country's regulated adult-use cannabis industry including a unanimous recommendation to make adjustment to the excise duty formula for cannabis so that it is limited to a 10% ad valorem rate, and the operation of the duty, including the requirement to apply an excise stamp on cannabis products.

In December 2024, the Fall Economic Statement was released to propose a number of measures related to cannabis, including a national duty stamp in exchange to excise and duty measures. This change is intended to reduce red tape and save cannabis producers time and money.

According to Health Canada's Forward Regulatory Plan: 2025-2027, Health Canada is proposing to amend the *Cannabis Tracking System Order* to reduce regulatory burden while continuing to track the high-level movement of cannabis through the supply chain as a means of preventing the diversion to the illegal market or inversion into the legal market. The proposed amendments are expected to be published for consultation in the fall of 2026, with the aim of simplifying reporting by limiting reporting to information essential for tracking the cannabis movement.

### *Provincial and Territorial Regulatory Framework for Recreational Cannabis*

While the *Cannabis Act* provides for the regulation of the commercial production of cannabis and related matters by the federal government, the *Cannabis Act* provides the provinces and territories of Canada with authority to adopt their own laws governing the distribution, sale and consumption of cannabis and cannabis accessory products within the province or territory, permitting for example, provincial and territorial governments to set lower possession limits for individuals and higher age requirements. Currently, each of the Canadian provincial and territorial jurisdictions has established the minimum age for cannabis use to be 19 years old, except for Québec and Alberta, where the minimum age is 21 and 18, respectively.

The provinces and territories are responsible for the establishment of a retail distribution system for adult use cannabis in their respective jurisdictions. All Canadian provinces and territories have implemented mechanisms for the distribution and sale of cannabis for recreational purposes within those jurisdictions, and retail models vary between jurisdictions. Provincial/territorial bodies act as intermediaries between entities licensed federally under the *Cannabis Act* and consumers, such bodies acting in some jurisdictions as exclusive cannabis wholesalers and distributors, and in some instances such bodies acting as exclusive retailers. The laws continue to evolve, and differences in provincial and territorial regulatory frameworks could result in, among other things, increased compliance costs, and increased supply costs.

Municipal and regional governments may choose to impose additional requirements and regulations on the sale of recreational cannabis, adding further uncertainty and risk to our business. Municipal by-laws may restrict the number of recreational cannabis retail outlets that are permitted in a certain geographical area or restrict the geographical locations wherein such retail outlets may be opened.

There is no assurance that the provincial, territorial, regional, and municipal regulatory frameworks and distribution models will remain unchanged, or that we will be able to navigate such changes in the regulatory frameworks and distribution models or conduct its intended business thereunder. See: "*Risk Factors*".

**Ontario:** Pursuant to the *Cannabis Control Act, 2017* (Ontario), the distribution and retail sale of recreational cannabis is currently conducted through the Ontario Cannabis Retail Corporation ("OCRC"), a subsidiary of the Liquor Control Board of Ontario. Recreational cannabis has been sold on-line through the OCRC-operated Ontario Cannabis Store ("OCS") platform, as of October 17, 2018.

On October 17, 2018, the *Cannabis License Act, 2018* (Ontario) became law and other legislation, including the *Cannabis Control Act, 2017*, the *Ontario Cannabis Retail Corporation Act, 2017* and the *Liquor Control Act* were amended to create a private retail framework for the sale of recreational cannabis in Ontario. As of April 1, 2019, recreational cannabis has been available for sale by private retailers that operate brick-and-mortar stores licensed by the Alcohol and Gaming Commission of Ontario ("AGCO").

The recreational cannabis retail regulatory regime in Ontario has the following requirements and features:

- Private retailers are required to obtain both a retail operator license and a retail store authorization. Retail store authorizations are only to be issued to persons holding a retail operator license. Separate retail store authorizations are to be required for each cannabis retail store, but a licensed retail operator may hold more than one retail store authorization and operate multiple stores. In 2023, Ontario amended the regulations under the *Cannabis License Act, 2018* to increase the number of licenses a licensed retail operator and its affiliates may hold from 75 to 150 licenses. Private retailers may offer delivery and curbside pick-up services in addition to in-store sales, but cannot operate entirely or predominantly as delivery businesses.
- The AGCO is the government entity responsible for issuing retail store authorizations for privately run recreational cannabis stores. Until December 13, 2019, a temporary cap of 25 retail store authorizations was

imposed while cannabis supply stabilizes. On July 3, 2019, the Government of Ontario announced its plans for a second allocation of 50 additional cannabis retail store authorizations. The AGCO held a lottery draw for the allocation of 42 retail store authorizations. A separate process governed the allocation of eight retail store authorizations for those who wish to operate a store on a First Nations reserve. On March 2, 2020, the restrictions on the total number of store authorizations permitted in Ontario, and their regional distribution, was revoked. The AGCO now accepts applications for retail store authorizations from all interested applicants.

- Retail store operators are only permitted to purchase cannabis from the OCRC, which may set a minimum price for cannabis or classes of cannabis.
- Every authorized cannabis retail store in Ontario must have a licensed retail manager. An individual who supervises employees, oversees cannabis sales, manages compliance or has signing authority to purchase cannabis, enters into contracts or hires employees is required to have a cannabis retail manager license.
- Federal License Holders (and their affiliates) are limited to operating one retail cannabis store in the province, which must be located at the site listed on such producer's federal license. A corporation is not eligible to obtain a retail operator license if more than 25% of the corporation is owned or controlled by federal License Holder(s) or its affiliates or the corporation owns or controls more than 25% of a federal License Holder or its affiliates. A broad definition of affiliate is included in the regulations. An affiliate relationship exists if a corporation beneficially owns or controls voting shares, or securities that may be converted to voting shares, constituting more than 25% of voting rights. If a person, or group acting together, holds 50% voting control for the election of directors or market share of the corporation, they are considered affiliates. Additionally, an affiliate relationship may be established through involvement in a trust, partnership, or joint venture, among others. The definition of affiliate may have the effect of restricting the ability of federal License Holders from effectively entering into the consumer retail market in Ontario.
- Federal License Holders are prohibited from providing any material inducement to cannabis retailers for the purpose of increasing the sale of a particular type of cannabis.
- Municipalities and reserve band councils were permitted to opt out of the retail cannabis market by resolution. Municipalities had until January 22, 2019 to pass such by-laws, and several municipalities have formally opted-out of the retail market. Municipalities that opted out can later lift the prohibition on retail cannabis stores by subsequent resolution, which cannot be reversed at a later date. Municipalities may not pass bylaws providing for a further system of licensing over the retail sale of cannabis.

**Manitoba:** The Government of Manitoba has implemented a “hybrid model” for cannabis distribution, whereby supply is secured and tracked by the Manitoba Liquor and Lotteries Corp. (“MLLC”); however, licensed private retail stores are also permitted to sell recreational cannabis.

**Alberta:** The Government of Alberta has implemented a cannabis framework providing for the purchase of cannabis products from private retailers that receive their products from a government-regulated distributor, the Alberta Gaming Liquor and Cannabis Commission (“AGLC”), similar to the distribution system currently in place for alcohol in the province. Authorized cannabis retailers may sell cannabis in licensed retail stores and may also sell cannabis online and through delivery (subject to AGLC endorsement). As of July 2025, cannabis suppliers may apply to AGLC for a Cannabis Supplier Retail Store licence, permitting the sale of cannabis products produced at the processing/cultivating facility directly to consumers from a store located at the facility.

**New Brunswick:** New Brunswick had initially limited the distribution and sale of recreational cannabis to a network of tightly controlled, stand-alone “Cannabis NB” stores managed by the Cannabis Management Corporation, a subsidiary of New Brunswick Liquor Corporation and online through the Cannabis NB platform, but has since opened up its retail market to permit licensed private retailers in the province. Approved licensed New Brunswick cannabis producers may sell products that they grow and produced locally at their facilities. Licensed private retailers may enter into agreements with Cannabis NB to operate cannabis stores under private brands.

**Quebec:** All recreational cannabis is managed and sold by Société Québécoise du cannabis (the “SQDC”) outlets and is available for sale online. The entire process is controlled by the SQDC.

**Newfoundland and Labrador:** Recreational cannabis is sold through private stores, with the crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp. (the “NLC”), issuing private retailer licenses and overseeing the distribution to private sellers who may sell to consumers. The NLC also controls the possession, sale, and delivery of cannabis, and sets prices. The NLC operates the provincial online store (CannabisNL), and the regulatory framework also permits online ordering/sales for certain licensed private retailers.

**Yukon:** Yukon had initially limited the distribution and sale of recreational cannabis to government outlets and government-run online stores but has since opened up its retail market to permit licensed private retailers in the territory. Cannabis retail licenses are issued

by the Cannabis Licensing Board. Authorized retailers must purchase cannabis from the Yukon Liquor Corporation, acting as the wholesaler and distributor in the territory.

**Northwest Territories:** The Northwest Territories Liquor and Cannabis Commission (the “NTLCC”) controls the importation and distribution of cannabis, whether through NTLCC-approved retail outlets or NTLCC-approved online store. Communities in the Northwest Territories are able to hold a plebiscite to prohibit cannabis, similar to the options currently available to restrict alcohol.

**British Columbia:** Recreational cannabis is sold through both public and licensed privately operated stores, with the provincial Liquor and Cannabis Regulation Branch handling licensing of private stores and the British Columbia Liquor Distribution Branch (“BCLDB”) handling wholesale distribution. BC also permits “farmgate” sales through the Producer Retail Store licence, which allows eligible federally licensed producers to sell non-medical cannabis from a store located at their facility.

**Saskatchewan:** The Government of Saskatchewan implemented a framework in which both wholesale and retail recreational cannabis are conducted by the private sector and regulated by the Saskatchewan Liquor and Gaming Authority (“SLGA”). A number of retail permits have been issued to private stores. Permitted wholesalers can sell to permitted retailers and other permitted wholesalers but not to the general public. Wholesale operations must be physically located within Saskatchewan and products can only be sold and distributed within Saskatchewan. Further, only federally licensed producers registered with SLGA will be allowed to sell into the Saskatchewan market.

**Nova Scotia:** The Nova Scotia Liquor Corporation is responsible for the regulation of cannabis in the province, and recreational cannabis is primarily sold publicly through government-operated storefronts and online sales, but regulations introduced in 2025 allow certain Mi’kmaq communities (bands or band-owned corporations) to become authorized cannabis sellers on reserve through an agreement with NSL.

**Prince Edward Island:** Similar to Nova Scotia, Prince Edward Island requires cannabis to be sold publicly, through government stores and online, overseen by the Prince Edward Island Cannabis Management Corporation.

**Nunavut:** Nunavut permits the retail sale of recreational cannabis through licensed physical cannabis stores and licensed remote/online sales. Cannabis retail licence applications are administered by the Government of Nunavut’s Office of the Superintendent (Department of Finance).

### *Industrial Hemp*

The new *Industrial Hemp Regulations* under the *Cannabis Act* replaced the previous IHR under the *Controlled Drugs and Substances Act* (“CDSA”) as of October 17, 2018. The regulatory scheme for industrial hemp production largely remains the same, however the IHR permits the sale of hemp plants to licensed cannabis producers, and licensing requirements under the new IHR are softened in accordance with the lower risk posed by industrial hemp. The IHR defines industrial hemp as a cannabis plant, or any part of that plant, in which the concentration of tetrahydrocannabinol (“THC”) is 0.3% or less in the flowering heads and leaves. The IHR was also amended in March 2025 as part of the extensive regulatory update noted above, which further reduced regulatory burden by most notably removing several requirements under the IHR that previously applied to non-viable hemp seed derivatives.

## **Our U.S. Cannabis Segment**

### Balanced Health

Our U.S. Cannabis segment is Balanced Health Botanicals, LLC (“BHB”), which we acquired in August, 2021. BHB is one of the leading CBD and other cannabinoid brands and e-commerce platforms in the United States. BHB develops and sells high-quality cannabinoid-based health and wellness products, distributing its diverse portfolio of consumer products through retail storefronts and its top-ranked e-commerce platform, CBDistillery™ and independent retail stores. We believe that BHB is uniquely positioned to ensure seamless sourcing, manufacture and sale of its affordable, high-quality family of cannabinoid brands to target the diverse health and wellness needs and preferences of their consumers. We believe the strong management team of BHB has added a wealth of leadership and industry experience across healthcare, technology, consumer packaged goods and cannabis.

BHB is focused on high quality standards and sources non-GMO and contaminant-free hemp directly from U.S. Hemp Licensed farms through partnerships and contractual relationships. BHB collaborates with hemp extraction partners using advanced proprietary methods and rigorous testing to ensure product quality and concentration guidelines. In its 8,000 square foot facility, BHB provides on-site bottling, labeling and packaging that follow the U.S. Food and Drug Administration’s (“FDA”) Current Good Manufacturing Practice (“cGMP”) guidelines, and is NSF GMP certified. BHB was awarded U.S. Hemp Authority Certification for its commitment to quality and safety of its products and also achieved Generally Recognized as Safe designation, an evaluation its products are recognized as safe for consumption for CBD Isolate (“ISO”), Full-Spectrum CBD (“FSO”) and Broad-Spectrum CBD (“BSO”). In the event that the FDA regulates CBD, and the overall Food, Drug and Mass Merchandise (“FDM”) channel accepts ingestible CBD products, we believe that BHB is uniquely positioned to immediately capitalize on the opportunity.

BHB’s CBD and other cannabinoid product portfolio primarily includes oils, ingestibles and topicals to meet any consumer’s needs and consumption preferences. The majority of sales are within the United States. BHB operates an industry-leading e-commerce

platform with an extensive customer base and has a presence in retail locations across health and wellness, independent pharmacies, convenience stores and lifestyle shops. Distribution in larger-footprint food, drug and mass retail chains is currently limited due to the lack of definitive regulatory oversight for CBD products throughout the United States.

### ***United States Cannabis Industry and Regulatory Overview***

We do not maintain any direct investment in cannabis or cannabis-related products in the U.S., excluding BHB's CBD and other cannabinoid business. We participate in federal and state permissible activities in the U.S. and do not engage or intend to engage in direct or indirect business with any business that derives revenue, directly or indirectly, from the sale of cannabis or cannabis-related products in any jurisdiction where the production and sale of cannabis is unlawful under current applicable laws.

Upon completion of sale of our U.S. produce assets to Vanguard (see "Produce" below), we continue to own two greenhouse facilities in West Texas consisting of over two million square feet. One facility is leased to Vanguard Food LLC to grow produce (primarily tomatoes). The lease agreement provides the Company the ability, with due notice, to take the facility back, if and when cannabis is legal in the United States or if and when the Company is awarded a Texas medicinal license to grow cannabis. The other facility, in Monahans, is currently not operational. Pending receipt of a Texas medicinal license this facility could be used to produce cannabis for Texas patients or utilized for other growing opportunities. We have proven experience converting our produce greenhouses to low-cost, highly efficient cannabis greenhouses, as evidenced by Pure Sunfarms' Delta 3 and Delta 2 greenhouses located in British Columbia. We are strategically positioned, utilizing decades of agricultural experience coupled with Pure Sunfarms' operational and product expertise, to convert all or a part of our existing greenhouses when legally permitted to do so.

At the time of this filing, we believe that 47 states plus Washington, D.C. legally permit cannabis (in some form) for medicinal use and 24 states plus Washington, D.C. legally permit cannabis for recreational use. Public support for the adult-use legalization of cannabis continues across the country. Several hundred thousand Americans now work full-time in the cannabis industry and tax revenues associated with the production and sale of cannabis are providing economic benefits in states that have passed legislation.

Unlike in Canada, which has uniform federal legislation governing the cultivation, distribution, sale, and possession of cannabis under the *Cannabis Act*, in the United States, cannabis is regulated at both the federal and state levels. Notwithstanding the permissive regulatory environment of cannabis in some states, cannabis with a delta-9 THC level (or, under the November 2025 Appropriations Act (as defined below), a "total THC" level) of more than 0.3% by dry weight ("marijuana") continues to be categorized as a Schedule I controlled substance under the *Controlled Substances Act* ("CSA"), making it illegal under federal law in the United States to cultivate, distribute, or possess cannabis. This means that while state law in certain U.S. states may take a permissive approach to medical and/or recreational use of cannabis, the CSA may still be enforced by U.S. federal law enforcement officials against citizens and businesses of those states for activity that is legal under state law. As a result of the conflicting views between state legislatures and the U.S. federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation.

Until 2018, the federal government provided guidance to federal agencies and banking institutions through a series of United States Department of Justice ("DOJ") memoranda. The most notable of this guidance came in the form of a memorandum issued by former U.S. Deputy Attorney General James Cole on August 29, 2013 (the "Cole Memorandum"). The Cole Memorandum offered guidance to federal agencies on how to prioritize civil enforcement, criminal investigations, and prosecutions regarding marijuana in all states and quickly set a compliance standard for marijuana related businesses. The Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. The Cole Memorandum was rescinded by Attorney General Jeff Sessions in January 2018 and instructed that "[i]n deciding which marijuana activities to prosecute with the [DOJ's] finite resources, prosecutors should follow the well-established principles that govern all federal prosecutions." Namely, these include the seriousness of the offense, history of criminal activity, deterrent effect of prosecutions, the interests of victims, and other principles. Despite the Cole Memorandum's decision, the DOJ guidance on how to prioritize civil enforcement, criminal investigations, and prosecutions regarding marijuana related business appeared to be relatively unchanged.

In February 2021, Attorney General Merrick Garland testified to Congress that the DOJ would not pursue cases against Americans complying with laws of the states that have legalized and are regulating marijuana. Such statements are not official declarations or policies of the DOJ and are not binding on the DOJ, any United States Attorney, or the United States federal courts. However, in October 2022, the Biden Administration announced a mass pardon of persons who had been convicted of simple marijuana possession under federal law and also its intention to review the regulation of marijuana under the CSA by directing the Secretary of Health and Human Services and the Attorney General to initiate the administrative process to expeditiously review marijuana's Schedule I status. In December 2022, President Biden signed the Medical Marijuana and Cannabidiol Research Expansion Act into law, which provides for significantly broader opportunities to study cannabis. In March 2023, Attorney General Merrick Garland stated during a senate hearing that "I think that it's fair to expect what I said at my confirmation hearing with respect to marijuana and policy, that it will be very close to what was done in the Cole Memorandum". In August 2023, the FDA and Health and Human Services ("HHS") recommended that the Drug Enforcement Administration ("DEA") reschedule marijuana from schedule I

under the federal Controlled Substances Act (“CSA”) to schedule III. By doing so, the FDA determined that marijuana not only no longer meets schedule I criteria, but by leapfrogging to schedule III, they concluded that it does not meet schedule II criteria either. For additional information, see *"Notice of Proposed Rulemaking ("NPRM") to Reschedule Marijuana"* below.

In recent years, certain temporary federal legislative enactments that provide safeguards for the medical cannabis industry have been appended to the federal budget bill. For each year since 2015, Congress has adopted a so-called “rider” provision to the Consolidated Appropriations Acts (formerly referred to as the Rohrabacher-Farr Amendment and currently referred to as the Rohrabacher-Blumenauer Amendment) to prevent the federal government from using congressionally appropriated funds to enforce federal law against regulated medical cannabis actors operating in compliance with state and local law. On December 29, 2022, the amendment was renewed as part of the Consolidated Appropriations Acts of 2023, H.R. 2617, which is effective through September 30, 2023. While the amendment has been included in successive appropriations legislation or resolutions since 2015, its inclusion or non-inclusion is subject to political change.

Nonetheless, there is no guarantee that state laws legalizing and regulating the sale and use of marijuana will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Until the United States Congress amends the CSA with respect to marijuana, there is a risk that federal authorities may enforce current U.S. federal law.

On December 20, 2018, the 2018 Farm Bill was signed into law in the United States. The 2018 Farm Bill, among other things, defines industrial hemp, removes industrial hemp and cannabinoids derived from industrial hemp so long as the delta-9 THC concentration is less than 0.3% by dry weight, from the CSA and allows for industrial hemp production and sale in the United States. The U.S. Food and Drug Administration has retained authority over the addition of CBD and other cannabinoids to products that fall within the Food, Drug and Cosmetic Act ("FDCA"). To date, the FDA deems that it is currently illegal to add CBD to a food or beverage, and the FDA does not deem CBD a dietary supplement as the agency cannot conclude that CBD is "generally recognized as safe" among qualified experts for its use in human or animal food. In January 2023, the FDA publicly announced it had concluded that "a new regulatory pathway for CBD is needed that balances individuals' desire for access to CBD products with the regulatory oversight needed to manage risks" and that it was "prepared to work with Congress on this matter." There can be no assurance that the FDA will approve CBD as an additive to products under the FDCA.

Under current federal law, it may be a violation of federal anti-money laundering statutes to take any proceeds from the sale of any Schedule I controlled substance. Financial institutions could potentially be prosecuted and convicted of money laundering under the Bank Secrecy Act for providing services to cannabis businesses. In 2014, the Financial Crimes Enforcement Network ("FinCEN") issued guidance not to focus enforcement on financial institutions that serve cannabis-related business, as long as the business activities are legal in their state. The guidance also included burdensome due diligence expectations and reporting requirements for financial institutions to bank state-sanctioned cannabis businesses. The FinCEN guidance also does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators for banks and other financial institutions and can be amended or revoked at any time and therefore most financial institutions in the United States do not appear comfortable relying on this guidance to provide banking services to the cannabis industry. Thus, most legitimate cannabis-related companies have established relationships with state banks and financial institutions. Also, since these legitimate cannabis firms do not have access to traditional bank financing, they primarily rely on private capital to address their financing needs.

The SAFE Banking Act passed the House of Representatives in September 2019 but has yet to pass the Senate. In September 2021, the House of Representatives included the SAFE Banking Act as an amendment to the National Defense Authorization Act for the fiscal year 2022, but the SAFE Banking Act was removed from the Defense Spending Bill by a Senate conference committee in December of 2021. The House of Representatives also passed the SAFE Banking Act most recently on February 4, 2022, as an amendment to the America COMPETES Act, but failed to pass in the Senate. The SAFE Banking Act is designed to prohibit federal banking regulators from punishing financial institutions from providing services to legitimate cannabis companies, their owners, and employees. In particular, a federal banking regulator cannot terminate or limit deposit insurance, prohibit or penalize a financial institution from providing services to legitimate cannabis-related business or take any adverse or corrective action on a loan made to a legitimate cannabis-related business.

In September 2023, the Secure And Fair Enforcement Regulation Banking Act, or the SAFER Banking Act, was introduced to the U.S. Senate. The SAFER Banking Act is designed to provide protections for federally regulated financial institutions that serve state-sanctioned marijuana businesses. Under this bill:

- a federal banking regulator is prohibited from penalizing a depository institution for providing banking services to a state-sanctioned marijuana business.
- a federal banking regulator is prohibited from requesting or requiring a depository institution to terminate a deposit account unless

- o (1) there is a valid reason, such as the regulator has cause to believe that the depository institution is engaging in an unsafe or unsound practice; and
- o (2) reputational risk is not the dispositive factor.
- proceeds from a transaction conducted by a state-sanctioned marijuana business are no longer considered proceeds from unlawful activity.
- and, a financial institution, insurer, or federal agency may not be held liable or subject to asset forfeiture under federal law for providing a loan, mortgage, or other financial service to a state-sanctioned marijuana business.

Since we do not conduct any cannabis-related business in the United States aside from our BHB cannabinoid products, the SAFE Banking Act and SAFER Banking Act would not alter the current financial services landscape for Village Farms. However, the ability to access public capital for all legitimate cannabis-related companies could provide the industry with additional financing avenues not available today as well as reducing the overall cost of capital.

In November 2025, Congress enacted the Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extension Act, 2026 (P.L. 119-37) (the "November 2025 Appropriations Act"), which significantly amended the federal definition of "hemp" under 7 U.S.C. Sec. 16390. The revised definition changes the THC measurement standard from delta-9 THC (only) to "total THC" concentration (including tetrahydrocannabinols acid, or THCA) of not more than 0.3% on a dry weighted basis. The new definition also imposes a cap of 0.4 milligrams of combined total THC per container for final hemp-derived cannabinoid products and excludes cannabinoids that are not naturally produced by the cannabis plant or that were synthesized or manufactured outside the plant. The changes take effect November 12, 2026, creating a one-year transition period. Accordingly, a substantial majority of hemp-derived products that were previously legal under the 2018 Farm Bill - including those sold by BHB - will be categorized as Schedule I controlled substances under the CSA beginning on November 12, 2026, unless further legal action is taken (as described below). In response, members of Congress have introduced or announced plans to introduce legislation that would extend or replace the November 2026 deadline, including proposals for comprehensive regulatory frameworks governing hemp-derived cannabinoid products. The outcome of these legislative efforts could materially affect BHB's ability to continue selling the majority of its current product lines after November 12, 2026.

On December 18, 2025, President Trump signed an Executive Order titled "Increasing Medical Marijuana and Cannabidiol Research", which directs the Attorney General to take all necessary steps to complete the rulemaking process to reschedule marijuana from Schedule I to Schedule III of the CSA in the most expeditious manner permitted by federal law. The Executive Order also directs the Administration to work with Congress to update the statutory definition of final hemp-derived cannabinoid products to allow continued access to appropriate full spectrum CBD products while restricting products that pose serious health risks. Additionally, the Executive Order directs the Secretary of Health and Human Services, the Commissioner of Food and Drugs, the Administrator of the Centers for Medicare and Medicaid Services (CMS) and the Director of the National Institutes of Health to develop research methods and models utilizing real-world evidence to improve access to hemp-derived cannabinoid products. CMS Administrator Dr. Mehmet Oz announced that the Center of Medicare and Medicaid Innovation (CMMI) is planning a model that would allow Medicare beneficiaries to receive hemp-derived CBD products at no charge if recommended by their physicians, with coverage of up to \$500 in hemp-derived productions, presumably on an annual basis, potentially beginning as early as April 2026. The full details of this program have yet to be made public.

These developments may significantly impact our hemp-derived production operations and present both regulatory uncertainty and potential new-market opportunities as the federal framework continues to evolve.

### ***Notice of Proposed Rulemaking (NPRM) to Reschedule Marijuana***

In October 2022, President Joe Biden instructed the Secretary of the Department of Health and Human Services ("HHS") and the Attorney General to review marijuana's designation as a Schedule I substance. In August 2023, HHS shared the scientific and medical evaluation conducted by FDA and other HHS constituents with the Drug Enforcement Administration ("DEA"), recommending that marijuana be controlled in Schedule III. HHS's review was guided by the eight scheduling factors outlined in the CSA: (1) the drug's actual or relative potential for abuse; (2) scientific evidence of its pharmacological effect, if known; (3) the state of current scientific knowledge regarding the drug or other substance; (4) its history and current pattern of abuse; (5) the scope, duration, and significance of abuse; (6) what, if any, risk there is to the public health; (7) its psychic or physiological dependence liability; and (8) whether the substance is an immediate precursor of an already-controlled substance.

On May 21, 2024, the U.S. Department of Justice ("DOJ") published a notice of proposed rulemaking ("NPRM") announcing its intention to reschedule marijuana. The rule proposes to move botanical cannabis (*Cannabis sativa* L.) with tetrahydrocannabinol ("THC") content over 0.3% from Schedule I to Schedule III, a less-restrictive schedule, under the CSA. If finalized, rescheduling would ease some restrictions on cannabis-related research, potentially promoting cannabinoid drug development, and would adjust the legal framework in which cannabis manufacturers and distributors operate. However, marijuana would still be subject to substantial regulation by both the DEA and Food and Drug Administration ("FDA").

The DOJ's proposal to transfer marijuana from Schedule I to Schedule III is consistent with HHS's view that marijuana has a currently accepted medical use, as well as HHS's views about marijuana's abuse potential and level of physical or psychological dependence. DOJ concurred with HHS's conclusion that marijuana has a currently accepted medical use based on HHS's determination that there is (1) widespread current experience with medical use of marijuana in the United States by licensed health care practitioners operating in accordance with implemented state-authorized programs, where the medical use is recognized by entities that regulate the practice of medicine; and (2) some credible scientific support for at least one of those medical uses (specifically, anorexia related to a medical condition; nausea and vomiting; and pain). The NPRM notably does not contain any express DEA endorsement of the proposed rescheduling. The NPRM also states that "DEA has not yet made a determination as to its views of the appropriate schedule for marijuana" and that "DEA believes that additional information arising from this rulemaking will further inform the findings regarding the appropriate schedule for marijuana."

The rescheduling of marijuana is subject to formal rulemaking procedures under the Administrative Procedure Act ("APA"). This means that, in addition to the public comment period typical for federal agency rulemaking, rulemaking must be conducted on the record after the opportunity for a hearing before an administrative law judge ("ALJ"). On August 29, 2024, the DEA issued a General Notice of Hearing (GNoH) in the Federal Register to receive factual evidence and expert opinion regarding whether marijuana should be transferred to Schedule III. In the GNoH, DEA instructed interested persons desiring to participate in the hearing to provide written notice on or before September 30, 2024.

On November 4, 2024, Village Farms announced that it was one of 25 participants selected to participate in the DEA's ALJ hearing. Village Farms was the only cannabis industry operator selected to participate, with the Company's Global Cannabis General Counsel, Dr. John Harloe, representing the Company as a selected witness.

On November 18, 2024, the Company, in coordination with another Designated Participant ("DP") of the hearing, filed a joint motion with the ALJ seeking the immediate disqualification and removal of the DEA from defending the Proposed Rule, moved to replace DEA with the Department DOJ as proponent, and ordered that the record include all requests for hearing and/or participation filed with the DEA, as well as a record of the decisions made by the DEA regarding why certain parties were designated as participants and others were not, and any ex parte communications between DEA and third parties. The Company's motion to disqualify was subsequently denied.

On January 6, 2025, the Company jointly filed a Request for Reconsideration ("Request") of its prior motion to disqualify and remove the DEA from its role as proponent of the Proposed Rule, in light of new evidence reflecting DEA wrongdoing. The Company's Request contained additional evidence of undisclosed conflicts of interest and extensive improper ex parte communications by the DEA which the Company believes must be lawfully disclosed and made part of the public record. The Company urged the court to take immediate corrective action in response to its Request, which also contained a request for leave to file an interlocutory appeal to resolve the Company's alleged improper ex parte communications by DEA.

On January 13, 2025, the ALJ responded to the Company's Request and granted a request for leave to file an interlocutory appeal, and the rescheduling proceedings are now currently stayed. In its response, the ALJ referred to various DEA behavior and alleged misconduct as "unprecedented," "astonishing," "embarrassing," and "demonstrate[ing] a puzzling and grotesque lack of understanding and poor judgment from high-level officials at a major federal agency." The ALJ ordered parties to provide joint status updates every 90 days. Despite multiple status reports since the appeal was granted, the DEA has failed to set a briefing schedule for the interlocutory appeal. As of the most recent joint status report filed in January 2026, the appeal "remains pending with the Administrator" and "no briefing schedule has been sent". The administrative proceedings remain stalled nearly a year after the appeal was accepted. The Company is continuing to work to ensure a fair and transparent process and remains a strong proponent of Schedule III.

President Trump's December 18, 2025 Executive Order directing Attorney General to complete the rescheduling process "in the most expeditious manner" could render the pending ALJ hearing moot. Under the Controlled Substance Act, the Attorney General retained authority to make scheduling decisions in the first instance and is not required to await completion of the administrative hearing process to issue a final rule. If the Attorney General finalizes the rescheduling rule through direct agency action as contemplated by the Executive Order, the evidentiary hearing and related interlocutory appeal would become unnecessary. However, it remains to be seen whether and when the Department of Justice will take final action on the proposed rescheduling.

### ***Texas Cannabis Industry and Regulatory Overview***

The 2021 legislative session was largely focused on addressing the catastrophic freeze and failures of the Texas energy supply, a modest expansion to the medical cannabis program, the Texas Compassionate Use Program ("TCUP"), did pass. TCUP provides low-THC cannabis to registered patients who have a prescription from their physician. This legislation added post-traumatic stress disorder, any form of cancer, and any condition that is part of a medical cannabis research program to the list of conditions which qualify patients for TCUP. The legislation also raised the overall THC by weight cap from 0.5% to 1.0%. Since the law went

into effect on September 1, 2021, the patient count has risen to just over 102,500 patients and the participating physician count has risen to just over 830.

On January 17, 2023, Texas announced it will open TCUP for more applications with the expectation that it will issue new medicinal licenses in 2023. The Company has applied for one of the TCUP licenses. The Department of Public Safety ("DPS") did not issue any new medicinal licenses in 2023 or 2024. In the 2025, Texas legislature, passed legislation requiring DPS to issue nine (9) new licenses on or before December 1, 2025 and three (3) more by April 1, 2026. DPS did not meet this deadline to issue new licenses but did issue nine (9) conditional licenses with the remaining three (3) to be announced on or before April 1, 2026. DPS is requiring additional "due diligence" submissions on financial status and prior regulatory performance. No date has been announced on when the initial nine or subsequent three will be approved to go forward to build operations and seek inspections for the issuance of a license. The award of a conditional license does not guarantee the awardee that a Texas medicinal license will be issued. Should any entity with a conditional license be denied a full license, DPS will issue a conditional license to the next entity on its scored application list. At this pace, the final licenses may not be issued until the next legislative session begins in January 2027 when additional legislation reforming TCUP and hemp laws is likely to be addressed and possibly passed by May 2027.

As of the date of this filing, the Company's 2023 application, with the required 2025 updates, remains under review for the remaining TCUP awards. Even if the Company is awarded one of the remaining TCUP conditional license awards, it will still have to provide DPS with incremental information in the hopes of actually being awarded one of the twelve new Texas cannabis licenses. If this were to occur, with no changes in the Federal schedule for cannabis, the Company would have to set up a private company to own and operate the Texas medicinal license due to the Company's Nasdaq listing requirements.

## **Our Cannabis Netherlands Segment**

### ***Regulatory Overview***

Leli Holland was formed in 2020, as a "Besloten Vennootschap" with the intention of obtaining one of the ten cannabis cultivation licenses from the Dutch government. The Company entered into a purchase option agreement, September 2021, to buy 80% of the Leli Holland. After clearing various security and background checks, Leli Holland became a selected supplier in the Experiment (as defined below). Leli Holland received a cultivation license on July 7, 2022. In August 2022, Village Farms exercised its purchase option agreement by acquiring 85% of Leli Holland. In September 2024, Village Farms acquired the remaining 15% making Leli Holland B.V. a wholly owned subsidiary of Village Farms International, Inc. The Company formally changed the name of Leli Holland B.V. to Village Farms International B.V. effective March 6, 2026.

### ***History of Dutch Cannabis***

The Dutch relationship with psychoactive substances dates back to shortly after the foundation of the "Vereenigde Oostindische Compagnie" (VOC), or United Dutch East-Indies Company in 1602. In the 17th century, the Dutch gained firm control over the opium trade in Asia. In response to leakages and illegal trade in opium and to international concerns about the rising use of opium, the Dutch government introduced the "Opium Regie," in the Dutch Indies (present day Indonesia) during the 1890s. The revenues from the opium monopoly contributed greatly to the wealth of cities such as Amsterdam and Leiden and ended with the Japanese invasion of the Dutch Indies in 1941. Hemp and hashish were included in the Opium Act of 1928, but only in 1953 did the possession and production of cannabis become a criminal offence in the Netherlands.

Based upon the findings and testimony of both the Hulsman Committee (1969) and Baan Committee (1972), the revision of the Opium Act in 1976 authorized the Dutch government to bring all substances classified in the United Nations' 1961 Single Convention on Narcotic Drugs under the domestic purview of the new Opium Act, which introduced two classifications for substances:

1. "substances with an unacceptable risk to the health of the user"
2. "cannabis products"

The newly revised Opium Act delegated drug policy and oversight to the country's Ministry of Health, which would address drug use with medical and social approaches rather than with criminal penalization. Charges for cannabis possession of 30 grams or less would either be dismissed or be charged as a petty offence or misdemeanor (comparable with a traffic ticket) which would not result in a criminal record. Shortly after the revision of the Opium Act, the implementation of new guidelines resulted in a delegation of policy enforcement to be handled at the municipality level amongst the cooperation of a "local triangle" (consisting of the municipality's mayor, public prosecutor, and chief of police) that would decide whether or not to prosecute small-scale sales of cannabis, reflecting what in the Dutch legal system is known as the expediency principle. Within the context of drug policy, law enforcement yields to public health, but also to public order. The expediency principal also helped to pave the way for the emergence of the Dutch coffee shops and other further developments in Dutch drug policy, reflecting the Dutch tradition of pragmatism and tolerance.

Used "off-the-record" since 1978, new guidelines stemming from the 1976 Opium Act were officially published in 1979. A key inclusion to the guidelines state, "Police would only interfere if small-scale trade was publicly advertised or otherwise

provocatively effectuated." It is believed that these new guidelines provided the legal leeway for coffee shops to rapidly emerge. However, lacking specificity, the guidelines left it unclear under which circumstances and criteria police should enforce the rules. While some coffee shops were mostly left in peace, others were raided regularly. None of this, however, hindered the steady rise in the number of coffee shops throughout the 1980s. The first estimate of the total number of coffee shops in the Netherlands did not occur until 1995, nearly 1,200 coffee shops and 900 additional illegal points of sale were recorded, while other less official records estimated there to be upwards of 2,500 total cannabis retail establishments (coffee shops + other illegal points of sale) at the peak of the market sometime between the late-1980s to early-1990s. In an attempt to reduce the number of active coffee shops across the country, starting in the mid 90's - the Dutch government started to implement more stringent coffee shop policy reforms at both a national and municipal level, which substantially reduced the number of coffee shops. At the end of December 2023, there were 564 coffee shops in 102 of the 342 total municipalities that comprise the Netherlands.

### *Dutch Coffee Shop Experiment*

In January 2019, the Dutch government passed "*Controlled Cannabis Supply Chain Experiment*" ("Experiment"). The Experiment, also known as the "weed experiment," is a Dutch government initiative to study the regulation of cannabis production and sale. The Experiment aims to place the entire chain from cultivation to sale within a controlled environment, improving the quality oversight of cannabis products and reducing criminal activities in the sector.

Key features of the Experiment are:

- **Closed Chain:** During the experiment, participating coffee shops are allowed to purchase cannabis only from legal, government-appointed growers. These growers have been selected based on strict criteria and are monitored by the government to ensure product quality and safety. Leli Holland is one of the license holders.
- **Participating Municipalities:** The experiment takes place in ten selected municipalities across the Netherlands. Only coffee shops in these municipalities may participate and sell cannabis exclusively from the appointed growers.
- **Duration and Evaluation:** The experiment lasts five years, after which participants are allowed to sell inventory and the results will be evaluated. This evaluation will provide insight into the effects of regulated cannabis production on crime, public health, and public order.
- **Objectives:** The main objectives of the experiment are to reduce illegal cannabis trade and improve the control over product quality. Additionally, it assesses whether this regulated chain contributes to a healthier and safer living environment.
- **Potential Future Implementation:** If the experiment is successful, it could serve as a model for the nationwide implementation of a regulated cannabis production chain in the Netherlands.

Ten suppliers were selected via lottery, in 2022. The suppliers are solely responsible for all cultivation and manufacturing activities and are permitted to supply pre-rolled joints, cannabis flower, hash and edibles made using 'raw' cannabis (no extracts or isolates). Each supplier can supply all/ any coffee shops in all participating municipalities. Within the Experiment the competition is regulated, with the 10 licensed growers in the market producing an estimated annual output of 91,600kg maximum. Ten municipalities were selected from twenty-three applicant municipalities. These will be the only municipalities involved in the experiment. All coffee shops in each municipality are required to participate in the Experiment, resulting in 78 participating coffee shops sourcing from only the ten selected suppliers. The aggregate population of all 10 municipalities selected to participate in the Controlled Cannabis Supply Chain Experiment represents 9.7% (or 1.7 million residents) of the total population of the Netherlands (17.9 million residents).

Since inception of the Experiment due to changes in the Dutch government and other challenges – the initial stages of the Experiment have been formally delayed. The original "Transitional Phase" under the Experiment, in which the current 78 coffee shops can purchase both legal cannabis and illicit cannabis, ended on April 7, 2025, at which time the "Experimental Phase" commenced and the 78 coffee shops were allowed to purchase legal cannabis from the licensed producers. The Experimental Phase is scheduled to last for at least 4 years and can be extended by the Dutch government for up to a maximum of an additional 18 months. Upon completion of the Experimental Phase the Dutch government will evaluate the Experiment to determine if an extension of the Experiment will be granted.

### **Our Produce Segment**

We commenced produce operations in 1989 under our U.S. subsidiary, Village Farms L.P. In October 2006, Village Farms did a reverse merger into an income trust named Hot House Growers Income Fund and essentially acquired its current Canadian produce operations, currently owned and operated by its Canadian subsidiary, Village Farms Canada Limited Partnership.

On May 30, 2025, the Company sold most of its VFLLP produce assets and operations to Vanguard, as a means of privatizing its produce business and providing incremental liquidity for its cannabis business (the "Produce Transaction"). See "—Produce Transaction Agreements" below for further details.

The Produce Transaction resulted in the outright sale of two of its then four Texas greenhouses, transfer of all of its existing third party produce marketing agreements, transfer of its produce employees based in the U.S. and the produce sales and distribution staff in Canada, sale of its produce trademarks, transfer of its two produce distribution centers (one in Fort Worth, Texas and one in Surrey, British Columbia), as well as entering into a SM&D Agreement (as defined below) with Village Farms Canada Limited Partnership (“VFCLP”) produce facilities for the years ended 2025 and 2026. See “—Produce Transaction Agreements” below for further details.

VFCLP owns and operates one produce greenhouse in Delta, B.C. totaling 60 acres. For most of 2025, it also owned and operated one-half of an existing 25 acre facility adjacent to its 60 acre facility to produce tomatoes, which at this time is being converted to cannabis – see “Our Canadian Cannabis Segment” above. VFCLP still owns two Texas facilities, one 20 acre facility located in Marfa, Texas is being leased to Vanguard Food to operate its tomato operations until such time that the U.S. legalizes cannabis or the Company is awarded a Texas medicinal cannabis license, at such time, with certain notice periods, the Company may take back the facility for its cannabis operations. VFCLP also continues to own a 30-acre greenhouse in Monahans, Texas that is currently not operating.

In 2023, VFCLP grew tomatoes, cucumbers, and bell peppers in its greenhouse facilities. VFCLP facilities only grew tomatoes in 2025 and 2024 and will continue growing only tomatoes through 2026.

There is seasonality in produce revenues. VFCLP does not produce tomatoes in winter months (December – February), due to low light levels in the winter months in Delta, due to its northern latitude. Historically, VFCLP sales occur primarily in our second and third quarters with lower sales, due to lower volumes, in the fourth quarter with only minor sales in the first quarter, if any, depending on the start of the calendar year crop cycle and light levels.

The produce business is very competitive, and our primary competition consists of large commercial producers. There is an abundance of growers as discussed in “—Greenhouse Vegetable Industry Overview” below, which has resulted in an oversupplied market where retail customers have the upper hand in price negotiations. In addition, due to the perishable nature of produce, pricing is very sensitive to the daily demand versus supply in each produce category, including our primary category, tomatoes.

### ***Greenhouse Vegetable Industry Overview***

Among the North American greenhouse vegetable producers, Canada is the largest supplier from April to October. Several factors, including climatic advantages (cooler summer temperatures) and the proximity of greenhouse producers to consumer markets, contribute to Canada’s favorable positioning relative to the United States during that time period. The primary markets for greenhouse produce grown in British Columbia include the west and northwest regions of the United States, as well as western Canada, while the primary markets for Ontario produce include the east and central regions of the United States, as well as eastern Canada.

The strengths of the Canadian greenhouse vegetable industry include its high yields and consistent product quality. The main weakness of the Canadian greenhouse industry relates to its lack of production during the historically higher priced winter months. However, because of the high volume of tomatoes produced in Canada during the April to October growing season, profits generated during this time period generally are sufficient to sustain producers through the full year.

Prices for vegetables fluctuate depending upon availability of supply and consumer demand. Greenhouse vegetable producers typically command a higher price for their products compared to field producers, as a result of the vegetables’ consistent quality, taste, appearance, and year-round availability. This higher price, combined with higher production yields for greenhouse produce, typically offset the higher costs associated with greenhouse production relative to field production. Production costs for greenhouse-grown produce are generally higher due to greater energy, labor, infrastructure, technological requirements, and more intense crop yields per acre. As the fresh produce market share of big box retailers increases, pricing is moving towards more contract pricing for six, nine or even twelve-month periods reducing some of the fluctuations with traditional seasonal pricing. However, contract pricing does not provide volume guarantees.

## ***Produce Transaction Agreements***

### *Framework Agreement Regarding Partnership and Membership Interests, Contributions, and Exchanges*

On May 30, 2025, the Company, VFCLP and Village Farms, L.P. (“VFLP,” and together with the Company and VFCLP, the “VF Sellers”) completed the transactions (the “Closing”) as set forth in the Framework Agreement Regarding Partnership and Membership Interests, Contributions, and Exchanges (the “Framework Agreement”) entered into on May 12, 2025 with Vanguard, Kennedy Lewis Capital Partners Master Fund II LP (“KL”) and Sweat Equities SPV LLC (“Sweat,” and together with “KL,” the “Initial Investors”). At the Closing, pursuant to the Framework Agreement and subject to the terms and conditions thereof, (a) the VF Sellers contributed certain assets comprising the VF Sellers’ Produce Business (as defined below) to Vanguard, (b) the Initial Investors contributed \$55 million to Vanguard and (c) as consideration for the foregoing, (i) Vanguard Food LP paid the VF Sellers \$40 million (\$5 million of which has been placed in escrow for one year to secure the VF Sellers’ indemnification obligations under the Framework Agreement and the TSA (as defined below)), subject to a customary post-Closing purchase price adjustment mechanism, (ii) Vanguard Food LP issued (A) common units representing 37.9% of Vanguard Food LP’s equity ownership to the VF Sellers and (B) preferred and common units representing 62.1% of Vanguard Food LP’s equity ownership to the Initial Investors and (iii) Vanguard Food GP LLC issued membership interests to VFLP, KL and Sweat. The foregoing transactions completed at Closing are collectively referred to herein as the “Produce Transaction”. Following the Closing, the VF Sellers have no future obligations to contribute cash to Vanguard and have pre-emptive rights to maintain their ownership interest in Vanguard under the terms of the LP Agreement (as defined below).

Pursuant to the Framework Agreement, the parties entered into the following agreements at Closing: (a) an Amended and Restated Limited Partnership Agreement of Vanguard Food LP (the “LP Agreement”), (b) an Amended and Restated Limited Liability Company Agreement of Vanguard Food GP LLC (the “LLC Agreement”), (c) a Sales, Marketing & Distribution Agreement (the “SM&D Agreement”), (d) a Transition Services Agreement (the “TSA”) and (e) a Marfa Greenhouse Facility Sublease (the “Marfa Sublease” and collectively with the LP Agreement, the LLC Agreement, the SM&D Agreement, and the TSA, the “Produce Transaction Agreements”), in each case as described in more detail below.

The parties appointed Charlie Sweat, Founder of Sweat, as Executive Chairman of Vanguard’s Board of Managers. Michael A. DeGiglio, Founder, President, and Chief Executive Officer of the Company, has also been appointed to Vanguard’s Board of Managers and will serve as Interim Chief Executive Officer of Vanguard until a permanent replacement has been identified, or the termination of the TSA, whichever comes first. Steve Ruffini, Chief Financial Officer of the Company, is also serving on Vanguard’s Board of Managers. Subsequent to the initial appointment, the Vanguard Board of Managers was amended to provide for two independent directors to be mutually agreed on by all parties. The two independent directors were appointed in November 2025.

Following the Closing, VFLP continues to own its 30-acre Monahans greenhouse facility in Texas, and owns and, pursuant to the Marfa Sublease, is leasing its 20-acre Marfa I greenhouse to Vanguard. The Marfa I facility is currently expandable to 40-acres and is adjacent to 950 acres of unoccupied land owned by VFLP available for future expansion. In Canada, VFCLP continues to own and operate its 60-acre Delta 1 greenhouse in Delta, British Columbia. At Closing, VFCLP entered into a multi-year supply agreement with Vanguard (the SM&D Agreement) to provide it with fresh produce production from its Delta 1 greenhouse.

### *Amended and Restated Limited Partnership Agreement of Vanguard Food LP*

As contemplated by the Framework Agreement, at the Closing, Vanguard Food GP LLC, Sweat, KL, VFCLP and VFLP entered into the LP Agreement, which sets forth the structure, governance, and financial arrangements of Vanguard Food LP. The LP Agreement establishes Vanguard Food GP LLC as the general partner, with limited partners (initially consisting of VFLP, VFCLP, KL and Sweat) holding preferred, common, and incentive units. The general partner has full control over the partnership's activities, while limited partners have specific rights, including approval rights over certain major decisions (so long as they hold an ownership percentage of Vanguard Food LP of at least 15% or, in the case of Village Farms, the two-year lock-up period has not expired) and preemptive rights to purchase new securities.

The LP Agreement’s financial provisions provide for the allocation of net income, net loss, and distributions among partners based on their respective partnership units. Non-liquidating distributions will be made pro rata to holders of preferred, common and incentive units, while preferred units are entitled to a 1.3x liquidation preference in the event of any liquidating distributions.

The LP Agreement includes detailed provisions concerning the transfer and sale of units, including a two-year lock-up period, a right of first offer, drag-along rights and tag-along rights. Limited partners cannot transfer their units except as permitted by the LP Agreement. The right of first offer requires that units be offered to existing partners before being sold to third parties. Drag-along rights allow majority partners to compel minority partners to participate in a sale under certain conditions. Tag-along rights enable minority partners to join in a sale initiated by the Initial Investors or Village Farms (so long as Village Farms has an ownership percentage of Vanguard Food LP of at least 15%), ensuring they can sell their units on the same terms.

### *Amended and Restated Limited Liability Company Agreement of Vanguard Food GP LLC*

As contemplated by the Framework Agreement, at the Closing, Vanguard, Sweat, KL and VFLP entered into the LLC Agreement, which sets forth the terms and conditions governing the operations and management of Vanguard Food GP LLC and, since Vanguard Food GP LLC is its general partner, Vanguard Food LP. The LLC Agreement provides for a single class of membership interests to be held by holders of common and preferred units of Vanguard Food LP.

Management of Vanguard Food GP LLC is vested in a board of managers, which is composed of seven managers: two designated by VFLP, two designated by Sweat and KL, two independent directors mutually agreed on by VFLP, Sweat and KL as well as the chief executive officer of Vanguard Food LP. Any matter other than certain major decisions can be approved by a majority of managers at a meeting in which a quorum is present. Any major decision requires the approval of each Initial Investor with an ownership percentage of Vanguard Food LP of at least 15% and VFLP so long as either (a) Village Farms has an ownership percentage of Vanguard Food LP of at least 15% or (b) the two-year lock-up period under the LP Agreement has not yet expired.

No transfers of membership interests are permitted unless approved by the unanimous consent of the Initial Investors and VFLP. However, members are allowed to transfer their membership interests to affiliates. If a member ceases to be affiliated to a holder of common or preferred units of Vanguard Food LP, its membership interest will automatically be canceled unless transferred to another affiliate of the applicable holder.

#### *Sales, Marketing & Distribution Agreement*

As contemplated by the Framework Agreement, VFCLP and Vanguard entered into the SM&D Agreement effective as of Closing, which sets forth the terms, conditions, rights and obligations governing the sales, marketing and distribution by Vanguard of all hydroponically grown tomatoes produced at VFCLP's British Columbia greenhouse growing facilities. The sales price paid by Vanguard is based on amounts paid by Vanguard's customers, net of a marketing fee to be received by Vanguard.

The initial term of the SM&D Agreement ends upon termination of the SM&D Agreement in respect of each facility. The SM&D Agreement may be terminated in respect of the Delta 1 Facility if Vanguard undergoes a change of control transaction, or if, no earlier than the beginning of the 2027 calendar year, VFCLP ceases to produce hydroponically grown tomatoes at the facility. The SM&D Agreement was terminated with respect to the Delta 2 Facility on December 31, 2025, as it no longer is growing tomatoes. Either party may terminate the whole agreement in the event of a material breach of the other party that has not been cured, and there is an additional termination right in the event VFCLP and Vanguard are not able to agree to renegotiate terms if certain revenue targets are not met for the 2026 calendar year.

#### *Transition Services Agreement*

As contemplated by the Framework Agreement, the VF Sellers and Vanguard entered into a Transition Services Agreement effective as of Closing, which sets forth the terms, conditions, rights and obligations governing the provision (subject to reasonable limitations) of certain services and licenses to trademarks and other intellectual property, in each case on a transitional basis, as reasonably necessary to enable continuity of the Produce Business being transferred to Vanguard pursuant to the Framework Agreement as that Produce Business's systems and operations separate from the VF Sellers' retained business.

The TSA contemplates pricing for services on a pass-through basis based on reasonable allocations for services shared between the Produce Business being transferred to Vanguard and the retained business of the VF Sellers.

The TSA terminates when all services provided thereunder are no longer provided, which shall be no later than 12 months from Closing, unless otherwise agreed by the VF Sellers and Vanguard. Either party may terminate the whole agreement in the event of a material breach of the other party that has not been cured and in the event certain insolvency events occur.

#### *Marfa Sublease*

As contemplated by the Framework Agreement, Agro Power Development, Inc. ("Agro"), a wholly owned subsidiary of the Company, entered into the Marfa Sublease in order to sublease its interest in certain property located in Marfa, Texas to Vanguard Food LP effective as of the Closing. The property is currently leased by Agro from the County of Presidio, Texas and contains approximately 155 acres of land. The Marfa Sublease is established as a "triple-net" sublease, which means that the tenant is responsible for all expenses associated with the property. The lease term mirrors the underlying County land lease held by Agro, which initially expires in 2032, but Agro can extend for two additional 10-year terms. The lease is subject to a sublease termination provision that allows VFLP to use all or a portion of the Marfa 1 greenhouse, if certain Sublease Termination Conditions are met and Agro gives notice, in any given year, on or before February 1. The Marfa Sublease contains customary indemnification and other terms, and requires an annual rental payment of \$100,000.

#### **Intellectual Property**

We have the following trademarks for Pure Sunfarms in Canada, the European Union, United States and/or Mexico: Pure Sunfarms™, Sunburst Design™ Pure Sunfarms BC Grown®, Pure Sun CBD®, Everyday Everyway™, Hit The Gas®, Sundaises By Pure Sunfarms™, Soar®, Soar Cannabis®, Pure Sunfarms Pink Kush™, Pure Sunfarms Trials™, The Original Fraser Valley Weed Co.™, Super Toast™, Nowadays®, Weed Grows Better in the Valley®, Pure Sun™, Hiatus™, and L&F™.

We also have the following trademarks registered for Rose LifeScience in Canada: Rose®, Rose LifeScience®, Rose LifeScienceVie®, D.Z.®, Delta Zulu®, Trois Coches®, Quatre Coches®, DLYS®, Elekt®, Promenade®, Promenade Buddies®, Pure Laine®, Cidrebd®, Cannasucres®, Westlight®, Six Lunes®, Homage®, Tam Tams®, Pure Wool®, Pure Laine Smoothies™, Terpies™, Pure Laine Terpies®.

We have the following trademarks registered and service marks in the United States, Canada, the European Union, and/or Costa Rica for Balanced Health: Balanced Health Botanicals®, BOTA®, BOTA Hemp®, CBDistillery™, CBDistilleryRX®, CBDMovement™, Gimmick-free CBD®, Natural Beauty-Elevated™, Terpsolate®, Distilling What Matters®, OOOH Distilled®, and the CBDistillery logo.

We seek to protect our proprietary packaging designs through design patent filings in key markets. As of December 31, 2025, our subsidiary Pure Sunfarms Corp. held 1 issued design patent and 9 pending design patent applications across 5 patent families in Canada, the United States, the European Union, and China. These design patents cover innovative product packaging used in connection with our cannabis brands. We also rely on trademarks, trade secrets, and proprietary know-how to protect our competitive position. While we believe our intellectual property provides meaningful differentiation for our branded products, we do not consider any single patent to be material to our business.

### **Employees**

We have approximately 1,128 employees and contract workers throughout all of our segments: Canadian Cannabis, U.S. Cannabis, Netherlands Cannabis and Produce (VFCLP). The majority of our employees and contract workers are employed in our Canadian cannabis and produce greenhouse operations. None of our employees are covered by a collective bargaining agreement. We believe that we enjoy a good working relationship with our employees.

### **Human Capital**

We respect diversity and accordingly are an equal opportunity employer that does not discriminate on the basis of race, color, creed, religion, national origin, ancestry, citizenship status, age, sex or gender (including pregnancy, childbirth and related medical conditions), gender identity or gender expression (including transgender status), sexual orientation, marital status, military service and veteran status, physical or mental disability, protected medical condition as defined by applicable state or local law, genetic information, or any other characteristic protected by applicable federal, state, or local laws and ordinances. Our management team is dedicated to ensuring the fulfillment of this policy with respect to recruitment, hiring, placement, promotion, transfer, training, compensation, benefits, employee activities, access to facilities and programs, and general treatment during employment. We are proud to bring together individuals from a wide breadth of industries, backgrounds, and experiences, and promote a culture of belonging. Additionally, we respect the religious beliefs and practices of all employees and will endeavor to make a reasonable accommodation if those religious beliefs or practices conflict with an employee's job unless the accommodation would impose an undue hardship on the operation of our business.

Paid vacation time is available for all employees in accordance with our Paid Time Off ("PTO") Policy. In addition to good working conditions and competitive pay, it is our policy to provide a combination of supplemental benefits to all eligible employees. In keeping with this goal, each benefit program has been carefully devised. We provide all full-time employees with life insurance and accidental death & dismemberment ("AD&D") insurance. Eligible full-time U.S. employees may participate in the Company's 401(k) savings plan beginning ninety days after the date of hire. Currently, we match a portion of eligible employee contributions.

In Canada, Village Farms, Pure Sunfarms and Rose Life Sciences offer competitive extended health care and dental benefits which include an additional health spending account, a sponsored group retirement savings plan and wellness days.

### **Social Responsibility**

We have stood by our core "Good for the Earth" principles since our inception over 30 years ago. Since our inception, we are guided by a Sustainable Agriculture Policy, which integrates three main goals, environmental health, economic profitability, and social and economic equality. Greenhouse growing is the most environmentally sustainable method of farming due to its ability to preserve natural resources, such as reduced water usage while growing more on less land. In CEA, soil erosion, air pollution, and greenhouse gas emissions are largely neutralized. In addition, our investments in the latest technological advancements, and our ability to produce higher yields per square meter, mean there are more GMO-free products grown with little impact to the environment.

Our greenhouses rely on, and have successfully employed, non-chemical methods for pest control known as Integrated Pest Management, whereas beneficial insects largely alleviate the need for pesticides. Our greenhouses utilize biodegradable coconut fiber or rockwool, not soil, to support the plants in a hydroponic solution, so there is no soil erosion or loss of precious nutrients. Pure Sunfarms' greenhouses installed blackout curtains to reduce energy consumption, mitigate light pollution and protect ecosystems to minimize the impact to the greater Vancouver area. At all greenhouse facilities, we sterilize and recirculate water numerous times. In

Delta, B.C., Pure Sunfarms collects rainwater throughout the year to minimize the use of external water sources at one of its greenhouses. All the Company's Delta, B.C. greenhouses utilize renewable hydroelectricity as their main power source.

Rose LifeScience's indoor controlled growing facility in Quebec was granted environmental rebates from the local government for its energy efficient design. The facility is digitally responsive as the growing rooms are equipped with technology that interprets and responds to the needs of the growers and the plants. The energy-conscious building design helps reduce greenhouse gas emissions and the facility is outfitted with special filtration to reduce odors and minimize any impact to the local community.

BHB is focused on product quality and conducts internal and third-party quality testing across the supply chain and at all stages of the cannabinoid creation process to confirm the purity and concentration of its products. All hemp utilized by BHB is required to be non-GMO, free from contaminants and is rigorously tested for compliance. BHB has achieved Generally Recognized as Safe designation, an evaluation that its products are recognized as safe for consumption for full-spectrum, broad-spectrum and isolate CBD.

We have memberships in core industry associations. Pure Sunfarms is the founder of Cannabis Cultivators of B.C. dedicated to advocating for the growth of a responsible cannabis industry and advancing a favorable social, economic and business environment for cannabis cultivation in B.C. On a community level, local involvement in organizations such as the Canadian Cancer Society, American Lung Association, Wounded Warrior Fund, NAACP education fund, Rotary clubs, hospitals, and community art outreach activities, are just some of the diverse charitable contributions we support.

### **Corporate Information**

Village Farms is a publicly traded company in the United States on The Nasdaq Stock Market LLC ("Nasdaq"), under the symbol "VFF". VFF is a corporation existing under the *Business Corporations Act* (Ontario). Our registered corporate address is 75 Wellington St. W. 30th Floor, Toronto, Ontario, Canada M5K 1N2. Our principal executive offices are located at 90 Colonial Parkway, Lake Mary, Florida 32746 (telephone: (407) 936-1190).

VFF's principal operating subsidiaries as of December 31, 2025 are Pure Sunfarms, Rose, Leli, BHB, VFCLP, VF Clean Energy, Inc. and VFLP.

We file annual, quarterly, current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). The SEC maintains an internet site that contains our public filings with the SEC and other information regarding Village Farms, at [www.sec.gov](http://www.sec.gov). We make available free of charge at our website, [www.villagefarms.com](http://www.villagefarms.com), all of our reports filed or furnished pursuant to Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*, as amended ("Exchange Act") including our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K and amendments to those reports. The information on our website is not incorporated by reference into this Annual Report on Form 10-K and should not be considered a part of this Annual Report on Form 10-K, and the reference to our website in this Annual Report on Form 10-K is an inactive textual reference only.

We are also a reporting issuer under the securities laws of each of the provinces and territories of Canada and accordingly our public filings with Canadian securities regulators are available under our issuer profile at [www.sedarplus.ca](http://www.sedarplus.ca).

### **ITEM 1A. RISK FACTORS**

*Any of the risks and uncertainties described below could significantly and negatively affect our business, prospects, financial condition, operating results, or credit ratings, which could cause the trading price of our Common Shares to decline. Additional risks and uncertainties not presently known to us, or risks that we currently consider immaterial, could also impair our business operations or financial condition.*

We are providing the following summary of risk factors contained in the Annual Report on Form 10-K to enhance the readability and accessibility of our risk factor disclosures. We encourage you to review the full risk factors in their entirety for additional information regarding the material risks that could adversely affect our business, prospects, financial condition, operating results, or credit ratings, which could cause the trading price of our Common Shares to decline. These risks and uncertainties include, but are not limited to, the following:

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

- We may be unable to maintain profitability or continue future growth.
- We are dependent on the success of our Canadian Cannabis business, which has a limited operating history in the cannabis industry.
- Our international expansion, including Leli, may heighten our operational risks.

- There can be no assurance that our previous, current, or potential future acquisitions, joint ventures, investments or expansions of scope of existing relationships will have a beneficial impact on our business, financial condition and results of operations.
- We may need additional financing to maintain and further develop our business.
- We face risks associated with the use of debt, including refinancing risk.
- Our success depends on our ability to attract and retain customers.
- We are subject to restrictive covenants under our Credit Facilities (as defined in *Liquidity and Capital Resources* below).

#### **Industry Risk Factors**

- We face risks inherent in an agricultural business.
- The legal cannabis and hemp-derived CBD industries are relatively new, and may be materially adversely affected by potential legal and regulatory changes.
- Our Canadian Cannabis business has been negatively affected by, and may continue to be impacted by, cannabis supply and demand fluctuations.
- Retail consolidation in the Canadian cannabis market may negatively affect our operations and profitability.
- We face significant competition in the cannabis industry.
- Increasing legalization of cannabis and rapid growth and consolidation in the cannabis and CBD industries may further intensify competition.
- We may be negatively affected by unfavorable publicity, adverse scientific findings and/or negative consumer perception of cannabis.
- Our Canadian and Dutch cannabis businesses are subject to cannabis-related security breaches, which could result in significant losses.
- We face risks associated with cross-border trade and the potential for tariffs and other trade restrictions.

#### **Legal and Regulatory Risks Factors**

- The November 2025 Appropriations Act will make most CBD products illegal beginning in November 2026, and will materially and adversely affect our U.S. cannabis business if further legal action is not taken.
- We cannot predict when, if ever, cannabis will be federally legal in the United States and any rescheduling of U.S. Schedule I cannabis to Schedule III would have an uncertain impact on our business.
- Our Canadian and Dutch cannabis operations require licenses to grow, store and sell cannabis.
- Our cannabis operations in Canada are subject to laws, regulations and guidelines related to the cannabis industry including marketing restrictions under the *Cannabis Act*.
- Our cannabis operations in Canada are subject to Canadian supplier standards.
- The ability of our Canadian cannabis companies to sell cannabis may be restricted by the Canadian Free Trade Agreement.
- Uncertainty in the laws, regulations and guidelines governing cannabis, hemp or cannabis/hemp derived products has adversely impacted our business and may continue to do so in the future.
- Restricted access to banking, including anti-money laundering laws and regulations may adversely impact our business.
- Our U.S. Cannabis business is subject to FDA and USDA regulation.
- We may be subject to product liability claims.
- 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 environmental, health and safety, and other governmental regulations and we may incur material expenses in order to comply with these regulations.

#### **Labor and Employment Risks Factors**

- Our operations are dependent on labor availability which includes accessing government sponsored foreign labor programs in Canada.

#### **Tax Risk Factors**

- If we are classified as a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes, certain generally adverse U.S. federal income tax consequences could apply to U.S. investors.
- The IRS and Canada Revenue Agency may challenge our transfer pricing.
- Changes in tax treatment of companies engaged in e-commerce may adversely affect the commercial use of our website and our financial results.
- U.S. Holdings may be considered a U.S. real property holding corporation, which may result in income and withholding taxes with respect to a distribution by U.S. Holdings to VF Opco.

#### **Common Shares Risk Factors**

- The market price of our Common Shares has been and is likely to continue to be volatile and an investment in our Common Shares could suffer a decline in value.
- Future issuances or sales of our Common Shares could cause our share price to fall and may dilute your common shares.

#### **General Risk Factors**

- We face risks related to cyber security attacks and other incidents.
- Inflation may continue to rise and increase our operating costs.
- It may be difficult for non-Canadian investors to obtain and enforce judgments against us because of our Canadian incorporation and presence.

#### **BUSINESS AND OPERATIONAL RISK FACTORS**

##### ***We may be unable to maintain profitability or continue future growth.***

Our ability to generate net earnings and maintain profitability is based, in part, on our ability to manage our cannabis profit margins and earnings before interest, tax, depreciation and amortization (“EBITDA”). These margins are dependent upon our ability to sell our products profitably and to be the supplier of choice to our customers. The failure to execute on our low-cost structure in our cannabis business at favorable margins or an increase in cost of goods or operating costs will have a material adverse effect on the financial condition, results of operations, and cash available.

One of our principal objectives is to pursue operational efficiencies. Profitability depends in significant measure on our ability to, among other things, successfully manage, identify, and implement operational efficiencies. There can be no assurance that we will be successful in managing our cost control and productivity improvement measures. In addition, a failure to achieve a low-cost structure through economies of scale or continue to improve our cultivation and manufacturing processes could have a material adverse effect on our commercialization plans and our business, prospects, results of operations and financial condition.

Additionally, 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 (see “—Industry Risk Factors” below). Furthermore, we can provide no assurance that high-THC cannabis will ever become federally legal in the United States, and the legal and regulatory treatment of CBD in the United States remains uncertain (see “—Legal and Regulatory Risk Factors” below). As a result, we may be unable to achieve future growth or even maintain our existing businesses in these segments.

##### ***We are dependent on the success of our Canadian Cannabis business which has a limited operating history in the cannabis industry.***

Our Canadian Cannabis business has a limited operating history. Our Canadian Cannabis business is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources. In addition, we have incurred and anticipate that we will continue to incur substantial expenses relating to the development and ongoing operations of our Canadian Cannabis business. The payment and amount of any future dividends to the Company from Canadian Cannabis business will depend upon, among other things, its available cash flows, after taking into account its operating and capital requirements. There is no assurance that we will be successful in achieving a return on our Canadian Cannabis business and the likelihood of success must be considered in light of the early stage of its operations and heavy tax burden on all Canadian cannabis companies.

Our Canadian Cannabis business may incur losses in the future for a number of reasons, including as a result of unforeseen expenses, regulatory impediments, unforeseen difficulties, complications and delays, the other risks described in these “Risk Factors” and other unknown events. The amount of any future net losses will depend, in part, on the growth of our future expenses and our ability to generate revenue. Because of the numerous risks and uncertainties associated with producing and selling cannabis and cannabis-derived products, we are unable to accurately forecast operating results to predict when, or if, we will be able to sustain our profitability. If our Canadian Cannabis business is unable to sustain profitability, the market price of our Common Shares may significantly decrease and our ability to raise capital, expand our business or continue our operations may be impaired.

The ability of our Canadian Cannabis business to grow will depend on a number of factors, many of which are beyond our control, including, but not limited to, the number of licensed retail cannabis stores, a reduction in excise tax burden, the availability of sufficient debtor capital on suitable terms, changes in laws and regulations respecting the production and sale of cannabis products, competition from other entities licensed under the *Cannabis Act*, its ability to recruit and retain sufficient experienced personnel and its ability to expand into international operations and sales. In addition, our Canadian Cannabis business is subject to a variety of business risks generally associated with developing companies. Future development and expansion could place significant strain on our management personnel and likely will require us to recruit additional management personnel, and there is no assurance that we will be able to do so. As the operations of our Canadian Cannabis business grow in size, scope, and complexity and as it identifies and pursues new opportunities, our Canadian Cannabis business may need to increase in scale its infrastructure (financial, management, informational, personnel and otherwise).

***Our international expansion, including through Leli, may increase our operational risks.***

Any expansion by us into jurisdictions outside of Canada and the United States is subject to additional risks, including political, economic, legal, and other risks and uncertainties associated with operating in or exporting to these jurisdictions. These risks and uncertainties include, but are not limited to, changes in the laws, regulations and policies governing the production, sale and use of cannabis, cannabis-derived products, hemp, or CBD, political instability, currency controls, fluctuations in currency exchange rates and rates of inflation, labor unrest, changes in taxation laws, regulations and policies, restrictions on foreign exchange and repatriation and changing political conditions and governmental regulations relating to foreign investment and the cannabis, hemp and CBD businesses more generally. Leli and its cultivation license are subject to the continued support by the government of the Netherlands under the Experiment, which is currently scheduled to end in April 2029 (see “Business—Our Cannabis Netherlands Segment” above). In 2024, the Partij voor de Vrijheid introduced a proposal to put the Experiment on hold, but it did not pass. If the Experiment was ended prematurely prior to its expiration in April 2029, the Company would suffer a material loss on its investment.

Changes, if any, in the laws, regulations and policies relating to the advertising, production, sale and use of cannabis and cannabis-based products or in the general economic policies in these international jurisdictions, or shifts in political attitude related thereto, may adversely affect the operations or profitability related to international operations in these countries. Specifically, operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on advertising, production, price controls, export controls, controls on currency remittance, increased income taxes, restrictions on foreign investment, land and water use restrictions and government policies rewarding contracts to local competitors or requiring domestic producers or vendors to purchase supplies from a particular jurisdiction. Failure to comply strictly with applicable laws, regulations and local practices could result in additional taxes, costs, civil or criminal fines or penalties or other expenses being levied, as well as other potential adverse consequences such as the loss of necessary permits or governmental approvals.

***There can be no assurance that our previous, current or potential future acquisitions, joint ventures, investments or expansions of scope of existing relationships will have a beneficial impact on our business, financial condition and results of operations.***

We have made, and may in the future make, acquisitions, joint ventures and investments with third parties that we believe will complement or augment our existing business. Our ability to identify and complete these acquisitions is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, acquisitions, joint ventures and third-party investments could present unforeseen integration obstacles or costs, may not enhance our business, and/or may involve risks that could adversely affect us, including significant amounts of management time that may be diverted from operations in order to pursue and complete such transactions. Acquisitions, joint ventures, investments or expansion of scope of existing relationships could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that these transactions will achieve the expected benefits to our business.

For example, in May 2025 we entered into a joint venture with Vanguard for the operation of our produce assets that we contributed to the joint venture as part of the Produce Transaction. As such, our produce business is now operated through a partnership in which the Company has a minority interest. We cannot control the actions of our joint venture partners, including any non-performance, default, or bankruptcy of the partners. As a result, we may have limited control over such arrangements and experience returns that are not proportional to the risks and resources contributed. To the extent that the anticipated benefits of the Produce Transaction are not achieved, or take longer than expected to achieve, the results of operations and the financial condition of the Company may suffer, which may materially adversely affect our business, operations and financial performance and cash flows.

In addition, in 2024 we commenced the Delta RNG Project through our partnership with Terreva Renewables, and we completed construction of one of our operations of the Dutch cannabis facilities owned by Leli. For the above-mentioned reasons, we can provide no assurance that we will achieve the anticipated benefits from these ventures in the near term or at all. The inability of our acquired business, joint ventures and third-party investments to perform as expected could have a material adverse effect on our business, financial condition and results of operations.

***There can be no assurance that future mergers, acquisitions, divestitures, alliances, joint ventures, investments or other strategic transactions will be consummated or have a positive impact on our business, prospects, financial condition, or results of operations.***

Historically, our senior management and board have been engaged in discussions surrounding the strategic direction of the Company in light of, among other things, the rapid growth and substantial changes in the cannabis industry and the other businesses in which we operate. As part of these discussions, our senior management and board from time to time have considered, and may consider in the future, various transactions in the context of our long-term business plan, including mergers, acquisitions, divestitures, alliances, joint ventures, investments or other strategic transactions. We have also been approached from time to time by parties wishing to discuss potential commercial or acquisition opportunities. In certain cases, we have entered into confidentiality agreements with third parties under which we have provided certain non-public information to those parties.

We can provide no assurance that any such discussions will result in a transaction or that any such transaction ultimately will have a positive impact on our business, prospects, financial condition, or results of operations.

***We will need additional financing to further develop our business.***

The continued operations and development of our business will require additional financing, which may be in the form of future equity securities offerings or any form of debt financing. For example, on January 26, 2023, we completed a registered direct offering for the purchase and sale of an aggregate 18,350,000 Common Shares at a public offering price of US\$1.35 per Common Share for gross proceeds of approximately US\$25 million coupled with 18,350,000 warrants with an exercise price of US\$1.65 (the “2023 Equity Offering”). Additionally, in 2022 and 2023, we implemented an at-the-market (“ATM”) program through which we sold a total of 3,175,000 shares for proceeds of US\$6.9 million. We will require additional equity financing which may have a dilutive effect and may not be achievable due to market conditions or other reasons. The failure to raise such capital could result in a delay or indefinite postponement of our current business objectives or may require us to cease to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to us.

We are dependent on the availability of financing under our Credit Facilities. Under the terms of our Credit Facilities, we are subject to a number of covenants, including debt service covenants. These covenants could reduce our flexibility in conducting our operations by limiting our ability to borrow money and expanding into new business lines. For more information, see “We are subject to restrictive covenants under our Credit Facilities” below.

We have also provided full recourse guarantees and have granted security interests in respect of the FCC Term Loan and the Pure Sunfarms Term Loan Facility with our lenders. We are also subject to fluctuations in our working capital on a month-to-month basis, and as a result, we have access to financing under our Pure Sunfarms Revolving Credit Facility. Consistent with our past practice, in Produce, we may draw down on revolving credit facilities available. An inability to draw down upon our Revolving Loan, or to amend, extend or replace our term loans on favorable terms (or at all), could have an adverse effect on our businesses and our financial condition.

There is no assurance that sufficient financing will be available when needed to allow us to continue as a going concern. The perception that we may not be able to continue as a going concern may also make it more difficult to operate our business due to concerns about our ability to meet our contractual obligations.

***We face risks associated with the use of debt, including refinancing risk.***

We rely on borrowings under our Credit Facilities, and term loans to finance acquisitions and for general corporate purposes. Given prevailing market conditions and general volatility, circumstances may arise in which we may not be able to obtain debt financing in the future on favorable terms, or at all. If we are unable to borrow under our Credit Facilities, obtain new debt financing or to refinance existing debt, our financial condition and results of operations would be adversely affected. Similarly, global equity markets have experienced significant price volatility and liquidity disruptions in recent years, and similar circumstances could significantly and negatively impact liquidity in the financial market in the future. Any disruption could negatively impact our ability to access additional financing on reasonable terms or at all.

We anticipate that only a small portion of the principal of our currently outstanding debt, if any, will be repaid prior to maturity. Therefore, we are likely to need to refinance a significant portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that the terms of any refinancing will not be as favorable as the terms of the existing debt. If principal payments due at maturity cannot be refinanced, extended or repaid with proceeds from other sources, such as new

equity capital, our cash flow may not be sufficient to repay all maturing debt in years when payments come due. The materialization of any of the foregoing risks would adversely affect our 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 our Canadian, Dutch and U.S. cannabis businesses, 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 the products of our Canadian, Dutch and U.S. Cannabis businesses 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 the products of our Canadian, Dutch and U.S. Cannabis businesses 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.

***We are subject to restrictive covenants under our Credit Facilities.***

Under the terms of our Credit Facilities (as defined in Item 7, “*Liquidity and Capital Resources*” below), we are subject to a number of covenants, including debt service covenants. These covenants could reduce our flexibility in conducting our operations by limiting our ability to borrow money and expanding into new business lines. While the Company was compliant with all of its loan covenants on December 31, 2025, in prior years, we were not in compliance with our financial covenants related to the fixed charge coverage ratio under our Term Loans and accordingly we obtained waivers from FCC for the annual tests for the one financial covenants. There can be no assurance that we will be in compliance with the future financial covenants or that we will be able to obtain a future waiver from our creditors for any non-compliance in connection with the next testing date.

Generally, non-compliance with our covenants may increase the risk of default on our debt (including by a cross-default to other credit agreements). If we are unable to comply with our debt covenants in the future, we may seek a waiver and/or an amendment(s) from the applicable lenders in respect of any such covenant in order to avoid any breach or default that might otherwise result therefrom. If we default under any of the Credit Facilities and the default is not waived by the applicable lenders, the debt extended pursuant to all of our debt instruments could become due and payable prior to their stated due dates. In addition, a default on all or some portion of the Credit Facilities may result in foreclosure on our collateral, which includes promissory notes, a first mortgage on the owned CEA (high tech greenhouse) properties, and general security agreements over our assets. We cannot give any assurance that (i) our lenders will agree to any covenant amendments or continue to waive any covenant breaches or defaults that may occur under the applicable debt instruments, or (ii) we could pay this debt if any of it became due prior to its stated due date. Accordingly, any default by us under our existing debt that is not waived by the applicable lenders could materially adversely impact our results of operations and financial results and may have a material adverse effect on the trading price of our Common Shares

***Our operations require certain key inputs, including raw materials and energy, and we are subject to their costs, tariffs, and potential supply disruptions.***

Our business is dependent on a number of key inputs and their related costs including raw materials, packaging materials and supplies related to our growing operations, as well as electricity, water, and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact our business, financial condition, and operating results. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on our business, financial condition, and operating results. Our CEA operations consume considerable energy for heat and carbon dioxide production and are vulnerable to rising energy costs. Energy costs have shown volatility, which has and may continue to adversely impact our cost structure. Should the cost of energy rise, and should we face difficulties in sustaining price increases to offset the impact of increasing fuel costs, gross profit margins could be adversely impacted.

In addition, our Canadian cannabis cultivation operations consume considerable energy, making it vulnerable to rising energy costs and power outages. Rising or volatile energy costs may adversely impact our business, and our Canadian cannabis operations could be significantly affected by a prolonged power outage.

***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 manage 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 addition, we face additional risks as we grow internationally. See “—Our international expansion, including through Leli, may increase our operational risks.” below.

In particular, we may not have the capacity to meet customer demand or to meet future demand when it arises in respect of our Canadian and U.S. Cannabis businesses. 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.

***Our operations are subject to natural catastrophes.***

Our operations may be adversely affected by severe weather including wind, snow, hail, and rain, which may result in our operations having reduced harvest yields due to lower light levels. For example, in May 2012, we lost three of our operating greenhouses to a short but powerful hailstorm at our former Marfa, Texas facilities, and in February 2021, we experienced major outages and increased electricity pricing at our Texas facilities as a result of a major winter storm. While we maintain fixed contracts for a portion of our anticipated electricity requirements and have improved back-up systems, the impact of a future similar event may adversely impact our business operations and financial condition. In addition, although we anticipate and factor in certain periods of lower than optimal light levels, extended periods of severe or unusual light levels may adversely impact our financial results due to higher costs and missed sales opportunities arising from reduced production yields.

Our business operations, some of which are located on the British Columbia coast, are located in an area that is geologically active and considered to be at risk from earthquakes and volcanic eruptions. Our earthquake and volcanic eruption deductible are 10% of our loss caused by the earthquake or volcanic eruption, subject to a maximum deductible of C\$5,000,000. In addition, climate change over time is predicted to lead to changes in the frequency of storm events as well as their severity. We are unable to predict the impact of climate change on our business.

While we maintain insurance coverage, we cannot predict that all potential insurable risks have been foreseen or that adequate coverage is maintained against known risks.

***We may suffer from uninsured and underinsured losses.***

We maintain insurance coverage in respect of our potential liabilities and the accidental loss of value of our assets from risks, in those amounts, with those insurers, and on those terms as we consider appropriate to purchase and which is readily available, taking into account all relevant factors including the practices of owners of similar assets and operations, as well as costs. However, not all risks are covered by insurance or the insurance may have high deductibles, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or our operations and loss payments may not be as timely and responsive as our working capital needs require.

In particular, because our Canadian Cannabis business is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with obtaining insurance coverage that could cause us to suffer uninsured losses, which could adversely affect our business, results of operations, and profitability. Further, our insurance coverage is subject to coverage limits and exclusions and may not be available for the risks inherent in the business. If we were to incur substantial

liability and such damages were not covered by insurance or were in excess of policy limits, we may be exposed to material uninsured liabilities that could impede liquidity, profitability, or solvency.

In addition, damage caused by an accidental or natural disaster to any or all of our key production facilities may result in significant replacement costs and loss of business that may not be fully recoverable or is subject to a high deductible. See “—Our operations are subject to natural catastrophes” above. Furthermore, we do not carry crop loss insurance, and accordingly, we would have to bear the cost of any significant losses related to crop losses in the future.

***Our business and operating results rely on effective quality control.***

The quality and safety of our products are critical to the success of our business and operations. As such, it is imperative that our (and our service providers’) quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by potential design flaws, the quality training program, and adherence by employees to quality control guidelines. Although we strive to ensure that all of our service providers have implemented and adhered to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on our business and operating results.

***Our products may be subject to recalls.***

Manufacturers of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of our products are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. We may lose a significant number of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although we have put in place detailed procedures for testing our products, there can be no assurance that any quality, potency, or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action, or lawsuits. A recall for any of the foregoing reasons could lead to decreased demand for products and could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows. Additionally, product recalls may lead to increased scrutiny of our operations by Health Canada, the FDA and other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Any product recall affecting the cannabis industry more broadly, whether or not involving us, could also lead consumers to lose confidence in the safety and security of the products sold by entities licensed under the *Cannabis Act* generally, including the cannabis products sold by our Canadian Cannabis business.

***Our competitive position may be affected by technological advances.***

Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize our business, particularly in the cannabis market. The introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render our cannabis products obsolete, less competitive, or less marketable. The process of developing our cannabis products is complex and requires significant continuing costs, development efforts and third-party commitments. If we fail to develop new technologies and products and address the obsolescence of existing technologies, our business, prospects, financial condition, results of operations and cash flows may be adversely affected. In addition, it is possible that more economical or efficient greenhouse production technology than what we currently use will be developed, thereby potentially adversely affecting our competitive position.

We may be unable to anticipate changes in our customer requirements for our cannabis that could make our existing technology obsolete. Our success will depend, in part, on our ability to continue to enhance our existing technologies, develop new technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. Although we are committed to researching and developing new markets and products and improving existing products, there can be no assurances that such research and market development activities will prove profitable or that the resulting markets and/or products, if any, will be commercially viable or successfully produced and marketed. The development of our proprietary technology entails significant technical and business risks, and may require significant continuing costs, development efforts and third-party commitments. We may not be successful in using new technologies or exploiting niche markets effectively or adapting our cannabis business to evolving customer or medical requirements or preferences or emerging industry standards. This may have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

***We face risks related to intellectual property.***

The ownership, licensing and protection of trademarks and other intellectual property rights are significant aspects of our future success. It is possible that we will not be able to register, maintain registration for or enforce all of our intellectual property, including trademarks, in all key jurisdictions. The intellectual property registration process can be expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable intellectual property applications at a reasonable cost or in a timely

manner or may obtain intellectual property registrations which are invalid. It is also possible that we will fail to identify patentable aspects of inventions made in the course of their development and commercialization activities before it is too late to obtain patent protection for them. Further, changes in either intellectual property laws or interpretation of intellectual property laws in the U.S, Canada and other countries may diminish the value of our intellectual property rights or narrow the scope of our intellectual property protection. As a result, our current or future intellectual property portfolio may not provide us with sufficient rights to protect our business, including our products, processes, and brands.

Termination or limitation of the scope of any intellectual property license may restrict or delay or eliminate our ability to develop and commercialize our products, which could adversely affect our business. We cannot guarantee that any third-party technology we license will not be unenforceable or licensed to our competitors or used by others. In the future, we may need to obtain licenses, renew existing license agreements in place at such time or otherwise replace existing technology. We are unable to predict whether these license agreements can be obtained or renewed, or the technology can be replaced on acceptable terms, or at all.

Unauthorized parties may attempt to replicate or otherwise obtain and use our products, brands, and technology. Policing the unauthorized use of our current or future trademarks, patents or other intellectual property rights could be difficult, expensive, time consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying the unauthorized use of intellectual property rights is difficult as we may be unable to effectively monitor and evaluate the products being distributed by our competitors, including parties such as unlicensed dispensaries and black-market participants, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of our trademarks or other intellectual property rights or other proprietary know-how, or those we license from others, or arrangements or agreements seeking to protect the same for our benefit, may be found invalid, unenforceable, anti-competitive or not infringed; may be interpreted narrowly; or could put existing intellectual property applications at risk of not being issued.

In addition, other parties may claim that our products, or those it licenses from others, infringe on their intellectual property, including their proprietary or patent protected rights. Such claims, whether meritorious or not, may result in the expenditure of significant financial and managerial resources and legal fees, result in injunctions or temporary restraining orders, or require the payment of damages. As well, we may need to obtain licenses from third parties who allege that we have infringed on their lawful rights. Such licenses may not be available on terms acceptable to us, or at all. In addition, we may not be able to obtain or utilize on terms that are favorable to us, or at all, licenses, or other rights with respect to intellectual property that we do not own.

We also rely on certain trade secrets, technical know-how and proprietary information that are not protected by patents to maintain our competitive position. Our trade secrets, technical know-how and proprietary information, which are not protected by patents, may become known to, or be independently developed by competitors, which could adversely affect us.

***We may be negatively affected by the use of third-party transportation services for our products.***

Canadian adult-use distribution rules take various forms on a province-by-province basis and often require our cannabis business to employ third parties to deliver to central government sites. Any prolonged disruption of third-party transportation services could have a material adverse effect on our Canadian cannabis sales volumes or end- users' satisfaction with the products of Pure Sunfarms or Rose LifeScience. Rising costs associated with third-party transportation services used by Pure Sunfarms or Rose LifeScience to ship our products, including internationally, may also adversely impact our profitability, and more generally our business, financial condition, results of operations and prospects.

Moreover, security of the product during transportation to and from our Canadian cannabis facilities is critical due to the nature of the product. A breach of security during transport could impact our future ability to continue operating under our Licenses or the prospect of renewing our Licenses and could have a material adverse effect on our business and results of operations.

Our Netherlands cannabis segment is also subject to regulatory distribution and transportation requirements. Any disruption to these third-party services could have a negative impact on our operations.

***INDUSTRY RISK FACTORS***

***We face risks inherent in an agricultural business.***

Our revenues are derived from the growing of agricultural products, including cannabis and produce. As such, we are subject to the risks inherent in an agricultural business, such as weather, insects, plant and seed diseases, shortage of qualified labor and similar agricultural risks, which may include crop losses, for which we are not insured. There can be no assurance that natural elements or labor issues will not have a material adverse effect on any such future production. Although our cannabis and produce products are grown in climate-controlled greenhouses, as well as indoor facilities, in which we carefully monitor the growing conditions and retain experienced production personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of these products. Any such agricultural risks could have a material adverse effect on our business, prospects, financial condition, results of operations and our cash flows.

In particular, cannabis plants can be vulnerable to various pathogens including bacteria, fungi, viruses, and other miscellaneous pathogens. Such instances often lead to reduced crop quality, reduced potency, stunted growth and/or death of the plant.

Moreover, cannabis is phytoremediative, meaning that it may extract toxins or other undesirable chemicals or compounds from the ground in which it is planted. Various regulatory agencies have established maximum limits for pathogens, toxins, chemicals, and other compounds that may be present in agricultural materials. If the cannabis of Pure Sunfarms, Rose LifeScience or Leli Holland is found to have levels of pathogens, toxins, chemicals or other undesirable compounds that exceed established limits, the product may not be suitable for commercialization and we may have to destroy the applicable portions of our production. Cannabis production lost due to pathogens, toxins, chemicals, or other undesirable compounds may have a material adverse effect on our business and financial condition.

Our tomato plants are vulnerable to the tomato brown rugose fruit virus (“ToBRFV”). Our remaining tomato facility has been negatively impacted by ToBRFV in the past. ToBRFV is an identified virus affecting tomatoes, peppers and possibly other plants including cannabis. ToBRFV can be transmitted mechanically and spread between plants or on contaminated tools, clothes or hands and may not be able to be eradicated even with a complete facility clean out, including multiple sanitations with disinfectants known to be effective on the ToBRFV. ToBRFV leads reduced crop quantity, ending a crop cycle early or can result in the loss of an entire crop in one of our greenhouse facilities. In addition, delivery of tomato crops across the U.S.-Canada border can encounter additional inspections due to ToBRFV and possibly denied entry. Crops lost to ToBRFV may have a material adverse effect on our business and financial condition. Produce seed companies are in the process of developing tomato varieties that are resistant to ToBRFV; however, we can provide no assurance as to the effectiveness of such varieties. ToBRFV-resistant varieties will also need to be commercially viable with respect to yields and taste. In addition, we have implemented procedures to mitigate the spread of ToBRFV within our tomato facility. However, it will be several years before the negative impact of ToBRFV on the tomato industry is resolved and even with mitigation the virus may have a material adverse effect on our results of operations.

In addition, our operations may be adversely impacted by a significant water shortage, such as a severe drought. A significant water shortage in the regions in which our facilities are located could adversely affect our crop yield.

***The legal cannabis and hemp-derived CBD industries are relatively new and may be materially adversely affected by potential legal and regulatory changes.***

As federal License Holders under the Cannabis Act, our Canadian Cannabis business (specifically, Pure Sunfarms and Rose LifeScience) is operating in the relatively new cannabis industry and market in Canada, our U.S. Cannabis business is operating in the relatively new hemp-derived CBD industry and market and our Leli Holland business is now operating under the Experiment, the current phase of which is set to expire in April 2029. In addition to being subject to general business risks, we must continue to build brand awareness in these markets 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 our cannabis and 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. Furthermore, we can provide no assurance that high-THC cannabis will ever become federally legal in the United States, and regulatory treatment of CBD in the United States remains uncertain (see “—Legal and Regulatory Risk Factors” below). Any event or circumstance that adversely affects the cannabis and hemp-derived CBD industries could have a material adverse effect on our business, financial condition, and results of operations.

***Our Canadian Cannabis business has been negatively affected in prior years, and could be impacted by cannabis supply and demand fluctuations.***

Entities licensed under the *Cannabis Act* have in past years produced more cannabis than the current adult-use demand. In order to meet the initial adult-use demand, Pure Sunfarms, Rose LifeScience and other entities licensed under the *Cannabis Act* built special purpose cultivation facilities with additional production capacity to be licensed. In prior years, due to oversupply within the industry, some federal Licensed Producers reduced capacity by shuttering cultivation facilities and others are filing under the Companies’ Creditors Arrangement Act of Canada. Recently, primarily due to the growth of exporting medicinal cannabis to other countries, some Licensed Producers—including Pure Sunfarms—have commenced or announced capacity expansion. Adult and medicinal use demand for cannabis products is dependent on a number of social, political, and economic factors that are beyond our control including the pace of new retail cannabis stores. In addition, the initial demand that has been experienced following legalization in Canada may not continue at comparable levels or may not be sustainable as a portion of such demand may have been a result of the novelty of legalization.

In past years, Pure Sunfarms, Rose LifeScience and other entities licensed under the Cannabis Act were producing more cannabis than is needed to satisfy the collective demand of the Canadian adult-use markets. As a result, the available supply of cannabis exceeded demand, resulting in a significant decline in the market price for cannabis. Historically, the Company sold its bulk

flower inventory in both the retail (higher pricing) and wholesale channels (lower pricing) at an average price in excess of its historical cost. While the over production of cannabis has been curtailed more recently by Pure Sunfarms and Rose, due to the shelf life of cannabis there is no assurance that Pure Sunfarms or Rose LifeScience would be able to generate sufficient revenue from the sale of adult-use cannabis and exported medicinal cannabis to be profitable and accordingly, it remains possible that the Company may record additional inventory write-downs in the future, which may materially and adversely affect our results of operations. Ultimately, Canadian adult-use market and international exported medicinal cannabis demand and supply may not be sufficient to support our current or future products or business.

In addition, our Canadian Cannabis business competes against illicit cannabis producers who are not subject to the same tax regime, regulations and costs. Supply, often at lower prices, from non-licensed producers also impacts market pricing and overall supply-demand dynamics.

***Retail consolidation in the markets in which we participate and reliance on third-party distributors may negatively affect our operations and profitability.***

Our Canadian cannabis business is focused on recreational (adult-use) sales which are primarily sold through the various Provincial boards who are effectively the sole wholesaler in their respective Provinces. As such, we had a concentration of adult-use branded sales to our three biggest provincial boards for the years ended December 31, 2025 and 2024 of 82% and 93%, respectively. If we are unable to sell to these provincial boards in the future for any reason, we expect that our revenues would decline and our results of operations would be negatively affected, and the impact on our overall results could be material.

Our Canadian produce operation is subject to an exclusive Sales, Marketing and Distribution Agreement with Village Fresh Canada, ULC which commenced on May 30, 2025 (the closing date of the Produce Transaction) and continues into future years, subject to specific termination provisions by both parties (see “Business—Our Produce Segment—Produce Transaction Agreements”). As a result, the Company’s produce revenues have a single customer on which it relies to sell its product. If Village Fresh Canada, ULC is unable to use its scale, marketing expertise and market leadership position to sell our products to U.S. and Canadian retailers, it may have a material adverse effect on our financial condition and results of produce operations.

In addition, our Canadian Cannabis business relies on Canadian provincial regulatory boards and private retailers and may in the future rely on other third parties, to distribute cannabis products. If these distributors do not successfully carry out their contractual duties, if there is a labor strike or work stoppage, if there is a delay or interruption in the distribution of our products or if these third parties damage our products, it could negatively impact our revenue from product sales. Any damage to our products, such as product spoilage, could expose us to potential product liability, damage our reputation and otherwise harm our business.

***We face significant competition in the cannabis industry.***

Our Canadian Cannabis business faces significant competition from business entities and individuals who are licensed under the *Cannabis Act* to participate in the adult-use cannabis industry. The *Cannabis Act* has established a licensing regime for the production, testing, packaging, labeling, delivery, transportation, distribution, sale, possession, and disposal of cannabis for adult-use. Health Canada continues to accept and award new licenses under the *Cannabis Act* for all cannabis activities.

If Pure Sunfarms or Rose LifeScience are unable to effectively compete with other suppliers to the adult-use cannabis market, or a significant number of individuals take advantage of the ability to cultivate and use their own cannabis, our anticipated addressable market may be reduced, and could adversely affect our ability to meet our business and financial targets, and our results of operations may be adversely affected.

Our Canadian Cannabis business also faces competition from existing entities licensed under the *Cannabis Act*. Certain of these competitors have significantly greater financial, marketing, research and development and technical and human resources than we do. As a result, our Canadian cannabis competitors may be more successful in gaining market penetration and market share. The commercial opportunity for our Canadian Cannabis business in the adult-use market, as well as exportation of medicinal cannabis, could be reduced or eliminated if our competitors produce and commercialize products for the adult-use and medicinal markets that, among other things, are safer, more effective, more convenient or less expensive than the products that we may produce, have greater sales, marketing and distribution support than our cannabis products, enjoy enhanced timing of market introduction and perceived effectiveness advantages over our cannabis products and receive more favorable publicity than our cannabis products.

If the number of users of cannabis in Canada increases and the number of countries allowing the importation of medicinal cannabis increases, the demand for products will increase and we expect that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, our cannabis businesses will require a continued level of investment in research and development, marketing, sales, and operations. Our cannabis businesses may not have sufficient resources to maintain research and development, marketing, sales, and operations efforts on a competitive basis which could materially and adversely affect our business, financial condition, and results of operations.

Subject to certain restrictions, the *Cannabis Act* allows adults to cultivate, propagate, harvest, and distribute up to four cannabis plants per household, provided that each plant meets certain requirements. Although there are barriers to personal cultivation,

including the start-up costs of obtaining equipment and materials to produce cannabis, depending on the number of consumers who choose to pursue personal cultivation, there could be significant competition from individual growers for our Canadian cannabis segment products.

All of our cannabis businesses face competition from illegal cannabis operations that are continuing to sell cannabis to individuals, despite not having a valid license. We do not expect governments to actively enforce current laws against the illegal cannabis operations, but rather over the course of time, both the Canadian and Dutch governments expect legal operators to force the closure of the illegal cannabis operations due to economic factors. Furthermore, given the restrictions on regulated retail cannabis as well as higher costs and taxes for regulated products, it is possible that legal cannabis consumers revert to the illicit market as a matter of convenience and/or price.

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

The cannabis and CBD industries are 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 other cannabinoid-containing product, such as CBD, in some form. Entry into the cannabis and cannabinoid market in which we participate by international competitors, including that enabled by potential change in existing regulations restricting such entry, might increase competition and lower the demand for the products of Canadian and U.S. Cannabis businesses on a global scale.

The foregoing legalization and growth trends in the cannabis and CBD industries 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 CBD industries may intensify and place downward pressure on retail prices for products and services, which could negatively impact profitability.

***We may be negatively affected by unfavorable publicity, adverse scientific findings and/or negative consumer perception of cannabis.***

We believe that the cannabis and CBD industries are highly dependent upon positive consumer and investor perception regarding the benefits, safety, efficacy and quality of the cannabis or CBD products distributed to consumers. Such categories of products, having previously been commonly associated with various other narcotics, violence and criminal activities, there is a risk that our business might attract negative publicity. Perception of the cannabis or CBD industry and products, currently and in the future, may be significantly influenced by scientific research or findings, regulatory investigations or proceedings, regulatory enforcement activities, litigation, political statements, media attention and other publicity (whether or not accurate or with merit) both in Canada and in other countries relating to the consumption of cannabis or cannabinoid products, including unexpected safety or efficacy concerns arising with respect to cannabis or cannabinoid products or the activities of industry participants.

There can be no assurance that future scientific research, findings, regulatory investigations or proceedings, regulatory enforcement activities, litigation, political statements, media attention or other research findings or publicity will be favorable to the cannabis or CBD markets or any particular cannabis or cannabinoid products or will be consistent with earlier publicity. Adverse future scientific research reports, findings, regulatory investigations or proceedings, and political statements, that are, or litigation, media attention or other publicity that is, perceived as less favorable than, or that questions, earlier research reports, findings or publicity (whether or not accurate or with merit) could result in a significant reduction in the demand for our Canadian cannabis or cannabinoid products. There is little long-term data with respect to side effects and/or interaction with individual human biochemistry of various cannabis products. As a result, the cannabis or cannabinoid products of our Canadian and U.S. Cannabis businesses could have certain side effects if not taken as directed or if taken by an end user that has certain known or unknown medical conditions.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis or CBD, our Canadian, Dutch and U.S. Cannabis business' current or future products, the use of cannabis or CBD for medical purposes or associating the consumption of cannabis or CBD with illness or other negative effects or events, could adversely affect us. This adverse publicity could arise even if the adverse effects associated with cannabis or cannabinoid products resulted from consumers' failure to use such products legally, appropriately, or as directed.

There is also a risk that the actions of other entities licensed under the Cannabis Act or of companies and service providers in the cannabis or CBD industries may negatively affect the reputation of the industry as a whole and thereby negatively impact our reputation. The increased usage of social media and other web-based tools used to generate, publish, and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share negative opinions and views regarding our activities and the cannabis or CBD industries in general, whether true or not.

Although we believe that we operate in a manner that is respectful to all stakeholders and that we take care in protecting our image and reputation, we do not ultimately have direct control over how we or the cannabis or CBD industry is perceived by others. Reputational issues may result in decreased investor confidence, increased challenges in developing and maintaining community relations and present an impediment to our overall ability to advance our projects, thereby having a material adverse impact on our financial performance, financial condition, cash flows and growth prospects.

***Our Canadian, Dutch and U.S. Cannabis businesses are subject to cannabis-related security breaches, which could result in significant losses.***

Given the nature of the products and the limited legal channels for distribution of our Canadian, Dutch and U.S. Cannabis business products, as well as the concentration of inventory in our facilities, despite meeting or exceeding regulatory security requirements, there remains a risk of inventory shrinkage due to theft and other security breaches. A security breach at one of our facilities could result in a significant loss of available product and could expose us to additional liability under applicable regulations and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential consumers from choosing the products of Pure Sunfarms, Rose LifeScience or Leli Holland any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

***We face risks associated with cross-border trade and the potential for tariffs and other trade restrictions.***

Our Canadian produce is actively sold cross-border by Village Fresh Canada, ULC. Markets in the United States and Canada may be affected from time to time by trade rulings and the imposition of customs, duties, and other tariffs. The President of the United States of America imposed a 25% tariff on all Canadian exports to the US in early 2024 and has threatened on more than one occasion to impose higher tariffs on all Canadian imports. Changes or developments in U.S. laws and policies, such as laws and policies surrounding U.S. domestic economic policies, as well as international trade, foreign affairs, manufacturing and development and investment in the territories and countries where we operate, can materially adversely affect our business and financial condition. These changes in U.S. administrative policy may result in significant increases in tariffs for imported goods, among other possible changes. There also are risks associated with retaliatory tariffs and resulting trade wars. The imposition of such tariffs or other similar trade restrictions may strain international trade relations and increase the risk that foreign governments implement retaliatory tariffs on goods imported from the United States. The imposition of such tariffs or other similar trade restrictions may also be inflationary, which could cause the cost of inputs to increase and interest rates to rise and create further uncertainty and volatility in the market, which may have a material adverse effect on our business and financial statements.

There can be no assurance that our financial condition and results of operations will not be materially adversely affected by trade rulings and the imposition of customs duties or other tariffs in the future. Furthermore, there is no assurance that further trade actions will not be initiated by U.S. producers of greenhouse or field grown vegetables. Any prolonged disruption in the flow of our product across the U.S.-Canada border (which would be exacerbated by tariffs and/or trade restrictions) could have an adverse effect on our financial condition and results of our produce operations.

Our Canadian Cannabis business exports certain products to international markets (currently Germany, the U.K., Australia, New Zealand and Israel) and may export products to other international markets in the future. International markets are subject to substantially similar regulatory and international demand and supply risks that our Canadian cannabis business is subject to in Canada.

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

Our revenues will in large part be derived from the production, sale, and distribution of agriculturally based consumer goods – specifically cannabis, hemp-derived cannabinoids and tomatoes. 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 cannabis, CBD and produce industries are highly competitive and sensitive to changes in demand and supply. The price of our products is affected by many factors including control of the distribution channel by provincial boards (for Canadian cannabis), cannabis retail chains in Canada, 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.

***We may be negatively affected by the customer and vendor credit risk.***

Because of the recent volatility in the nascent cannabis and CBD sector generally, certain customers and vendors of our Canadian, Dutch and U.S. Cannabis businesses may encounter financial difficulties that could result in those entities being unable to collect some or all of their accounts receivable from their customers and possibly the inability to obtain certain products sourced outside of our own facilities.

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.

***Third parties with whom we contract may be concerned about their reputational risks in respect of cannabis.***

The parties with whom we do business, or would like to do business with, may perceive that they are exposed to reputational risk as a result of our business activities relating to cannabis, which could hinder our ability to establish or maintain business relationships. These perceptions relating to the cannabis industry may interfere with our relationship with service providers in the United States, Canada and the Netherlands, as well as other countries, particularly in the financial services and insurance industries.

***LEGAL AND REGULATORY RISK FACTORS***

***The November 2025 Appropriations Act, will make most hemp-derived products illegal beginning in November, 2026, and will materially and adversely affect our U.S. cannabis business unless further legislative action is taken***

On November 12, 2025 the President of the United States signed into law the November 2025 Appropriations Act, which changes the THC measurement standard from delta-9 THC (only) to "total THC" concentration (including THCA) of not more than 0.3% on a dry weighted basis and imposes a national limit of 0.4 milligrams of total THC per container for all hemp-derived consumable products, with such changes effective November 12, 2026. Accordingly, a substantial majority of hemp-derived products that were previously legal under the 2018 Farm Bill - including most of those sold by BHB - will be categorized as marijuana, currently a Schedule I controlled substances under the CSA, beginning on November 12, 2026, which effectively recriminalized hemp-derived products containing THC, and would likely eliminate the entire industry, unless further legislative action is taken to curtail the impact of the November 2025 Appropriations Act. It remains uncertain whether the provisions of the November 2025 Appropriations Act affecting the hemp industry will ultimately take effect as scheduled, whether Congress may amend or replace these provisions prior to implementation or whether the implementation date will be delayed to give Congress time to determine a more comprehensive solution. Accordingly, if the November 2025 Appropriations Act is not amended before it goes into effect, it will substantially harm our U.S. cannabis business, which would likely have a materially adverse effect on our overall business, financial condition, and results of operations. We are continuing to monitor this legislation closely and assess strategic alternatives; however, there can be no assurance that we will be able to fully mitigate the operational or market impacts should the November 2025 Appropriations Act be implemented without modification.

***We cannot predict when, if ever, cannabis will be federally legal in the United States and any rescheduling of U.S. Schedule I cannabis to Schedule III would have an uncertain impact on our business.***

In August 2023, the HHS recommended that the DEA move marijuana from Schedule I to Schedule III under the CSA, and the rulemaking process remains ongoing and subject to legal challenges. There can be no assurances that the rulemaking process will continue or that moving marijuana (or other cannabinoid products that are now illegal under the CSA) from Schedule I to Schedule III will ever occur, and the impacts of any such rule on our business and competitive position are unclear. For example, rescheduling marijuana from Schedule I to Schedule III may be accompanied by additional regulatory obligations as prerequisite to participate in the U.S. market, and it may provide a greater benefit to the businesses of our competitors than our business, including by providing favorable tax treatment to their U.S. operations. Prospects, announcements and market sentiment relating to the rescheduling of marijuana and other cannabinoid products from Schedule I to Schedule III - whether or not it occurs as contemplated, or at all - could result in significant volatility in the market for our Common Shares. To the extent that market speculation results in an increase in the price of our Common Shares, our Common Share price could decline significantly thereafter if the DEA fails to act on the recommendation or investor optimism fades.

In addition, there is substantial uncertainty concerning the legal status of U.S. hemp and U.S. intoxicating hemp products containing U.S. hemp-derived ingredients, including CBD and other cannabinoids, even without the November 2025 *Appropriations Act* (as described above). The status of products derived from the cannabis or hemp plant, under both federal and state law can depend on the THC content of the plant or derivative (including whether the plant meets the statutory definition of "industrial hemp" or "hemp"), the part of the plant from which an individual or entity produces the derivative (including whether the plant meets the statutory definition of "marihuana" under the CSA), the THC concentration during the manufacturing process, whether the cultivator, processor, manufacturer or product marketer engages in cannabis-related activities for research versus purely commercial purposes, as well as the form and intended use of the product. The mere presence of a cannabinoid (such as CBD) is not dispositive as to whether

the product is legal or illegal. Under U.S. federal law, products containing CBD may be unlawful if derived from U.S. Schedule I cannabis (including hemp with a concentration greater than 0.3% THC on a dry weight basis), or if derived from U.S. hemp grown outside the parameters of an approved U.S. hemp pilot program or U.S. hemp cultivated in violation of the 2018 Farm Bill. Even after enactment of the 2018 Farm Bill, the DEA may not treat all products containing U.S. hemp-derived ingredients, including CBD and other cannabinoids, as exempt from the CSA. In September 2020, the DEA issued an interim final rule that purported to align the DEA's regulations with the statutory changes to the CSA made effective by the 2018 Farm Bill. The DEA received a number of comments objecting to the interim final rule, and the interim final rule has been the subject of litigation. However, the litigation was dismissed by the D.C. Circuit Court in June 2022. If the DEA takes action against participants in the U.S. hemp industry, this could cause our customers to lose confidence in our products, which could have a material and adverse effect on our business, financial condition and results of operations.

***Our Canadian and Dutch operations require licenses to grow, store and sell cannabis.***

Pure Sunfarms' and Rose LifeScience's ability to grow, store, sell and distribute cannabis in Canada is solely dependent on its ability to maintain licenses to cultivate and sell cannabis under the *Cannabis Act* (a "License") for each of the greenhouses at which it proposes to grow cannabis. Under the *Cannabis Act*, Pure Sunfarms and Rose LifeScience are required to obtain authorization for each licensable activity including cultivation, processing, testing, sale, and distribution. Once obtained, each License is subject to ongoing compliance and reporting requirements. Failure by Pure Sunfarms or Rose LifeScience to comply with the requirements of a License or to maintain such License would have a material adverse impact on our business, prospects, financial condition, results of operations and cash flows. Although we believe Pure Sunfarms and Rose LifeScience will obtain and maintain any required License and meet the requirements for extension of any License, there can be no guarantee that any License will be granted, extended, or renewed, or if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should a License not be granted, extended, or renewed or should it be renewed on different terms, our business, prospects, financial condition, results of the operation and cash flows would be materially adversely affected.

Leli Hollands' ability to grow, store, sell and distribute cannabis to certain legal Dutch coffee shops is solely dependent on its ability to maintain a license under the Experiment for its two locations. Under the Experiment, Leli Holland is required to track and trace its production, destruction and sales of cannabis. Failure by Leli Holland to comply with the requirements under the Experiment would have a material adverse impact on our business, prospects, financial condition, results of operations and cash flows. Although we believe Leli Holland will maintain its license, there can be no guarantee that such license will be extended, or renewed, or if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should our Dutch license not be extended, or renewed or should it be renewed on different terms, our business, prospects, financial condition, results of the operation and cash flows would be materially adversely affected.

Furthermore, the Company has applied for a TCUP license in Texas, which is a program that provides low-THC cannabis to registered patients who have a prescription from their physician. As of the date of this filing, our TCUP application is still being reviewed by the State of Texas and there has not been any indication if or when our application will be reviewed or if a TCUP license will be approved.

We cannot predict the time required to secure all appropriate regulatory approvals for our products and operations, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain the necessary regulatory approvals will significantly delay the development of the markets and for our products and could have a material adverse effect on our business, results of operations and financial condition.

***Our cannabis operations are subject to laws, regulations and guidelines related to the cannabis industry.***

The activities of our Canadian Cannabis business is subject to various laws, regulations and guidelines by governmental authorities, particularly under the *Cannabis Act*, relating to the cultivation, processing, manufacture, management, marketing, packaging/labelling, advertising, pricing, sale, distribution, transportation, storage, and disposal of cannabis, but also including laws and regulations relating to drugs, controlled substances, health and safety, insurance coverage, the conduct of operations and the protection of the environment, among other areas. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over our Canadian cannabis activities, including the power to limit or restrict business activities as well as impose additional disclosure requirements on its products and services. We endeavor to comply with all relevant laws, regulations, and guidelines. Health Canada inspectors routinely assess the facilities of our Canadian Cannabis business for compliance with applicable regulatory requirements. From time to time, we may have different views from Health Canada regarding the interpretation of the *Cannabis Act* and its regulations as applied to specific aspects of our operations. For example, we are currently engaged in correspondence with Health Canada regarding the regulatory treatment of certain packaging features used by Pure Sunfarms. We believe our packaging features used in our Canadian cannabis business are compliant with the Cannabis Act and the Cannabis Regulations, and we have communicated that position to Health Canada in detail and we expect to continue this dialogue and, if necessary, to seek clarification through available regulatory or judicial review channels; however, if we are unable to resolve this matter or any other regulatory interpretation matter through dialogue and Health Canada pursues enforcement action against us, we could be subject to product recalls, license suspension, administrative monetary penalties or other sanctions, and any challenges to

such action could result in legal costs and diversion of management attention. While we do not anticipate a material impact on our operations, there can be no assurance that Health Canada will agree with our interpretation, and any required modifications to our existing packaging may impose on us significant costs, which could materially affect our future results of operations.

Furthermore, the import and export of its products from and into any jurisdiction is subject to the regulatory requirements of each such jurisdiction. To the best of our knowledge, we are in material compliance with all such laws, regulations and guidelines; however, any failure by Pure Sunfarms or Rose LifeScience to comply with the applicable regulatory requirements could lead to possible sanctions, including the revocation or imposition of additional conditions on licenses to operate its business; the suspension or expulsion from a particular market or jurisdiction or of its key personnel; and/or the imposition of additional or more stringent inspection, testing and reporting requirements. Any of the foregoing could require extensive changes to the operations of Pure Sunfarms or Rose LifeScience; result in regulatory or agency proceedings or investigations, increased compliance costs, damage awards, civil or criminal fines or penalties or restrictions on its operations; harm our reputation or give rise to material liabilities or a revocation of the licenses and other permits of Pure Sunfarms or Rose LifeScience. There can be no assurance that any future regulatory or agency proceedings, investigations or audits will not result in substantial costs, a diversion of management's attention and resources or other adverse consequences to us and our business and may have material adverse effect on our results of operations and financial condition.

In addition, changes in regulations, government or judicial interpretation of regulations, or more vigorous enforcement thereof or other unanticipated events could require extensive changes to our Canadian cannabis operations, increase compliance costs or give rise to material liabilities or a revocation of its licenses and other permits, which could have a material adverse effect on our business, results of operations and financial condition. Furthermore, governmental authorities may change their administration, application, or enforcement procedures at any time, which may adversely impact our ongoing costs relating to regulatory compliance.

In addition, the governments of every Canadian province and territory have, to varying degrees, established regulatory regimes for the distribution and sale of cannabis for adult-use purposes within those jurisdictions. There is no guarantee that legislation respecting adult-use retail will remain unchanged or create the growth opportunities that we currently anticipate. As the laws continue to evolve, and the distribution models mature, there is no assurance that provincial and territorial legislation enacted for the purpose of regulating recreational cannabis will continue to allow, or be conducive to, our business model. Differences in provincial and territorial regulatory frameworks could result in, among other things, increased compliance costs, and increased supply costs. Any of the foregoing could result in a material adverse effect on our business, financial condition, and results of operations.

The activities of our Dutch cannabis business is subject to various laws, regulations and guidelines by governmental authorities, particularly under the Experiment, relating to the cultivation, processing, manufacture, management, marketing, packaging/labelling, advertising, sale, distribution, transportation, storage, and disposal of cannabis, but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment, among other areas.

Additionally, although we do not have any federally prohibited cannabis-related operations in the U.S., certain members of our management team and board of directors are located in the U.S., and we may be subject to risks with respect to changes in cannabis regulation and enforcement in the U.S. Any changes in the U.S. regulatory regime, or the scope and extent of the enforcement thereof, could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

***Our cannabis operations in Canada are subject to marketing restrictions under the Cannabis Act.***

The development of our Canadian cannabis business and operating results may be hindered by applicable restrictions on production, sales and marketing activities imposed on Pure Sunfarms, Rose LifeScience and other entities licensed under the *Cannabis Act* by Health Canada. All products distributed by Pure Sunfarms or Rose LifeScience into the Canadian adult-use market need to comply with requirements under Canadian legislation, including with respect to product formats, product packaging and labelling, and marketing activities around such products. Among other restrictions, the *Cannabis Act* prohibits testimonials and endorsements, lifestyle branding, and promotion that is appealing to young persons. As such, the portfolio of brands and products for our Canadian Cannabis business must be specifically adapted, and our marketing activities carefully structured, to enable our Canadian cannabis operations to develop its brands in an effective and compliant manner. If Pure Sunfarms or Rose LifeScience are unable to effectively market cannabis products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for cannabis products, then our sales and operating results could be adversely affected.

***Our cannabis operations in Canada are subject to Canadian supplier standards.***

Government-run provincial and territorial distributors in Canada require suppliers to meet certain service and business standards, and routinely assess for compliance with such standards. Any failure by Pure Sunfarms or Rose LifeScience to comply with such standards could result in being downgraded, disqualified as a supplier, and could lead to the termination or cessation of orders under existing or future supply contracts. Further, provincial purchasers may terminate or cease ordering under existing contracts at

their will. Any of these could severely impede or eliminate the ability of Pure Sunfarms or Rose LifeScience to access certain markets within Canada, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

***The ability of our Canadian cannabis companies to sell cannabis may be restricted by the Canadian Free Trade Agreement.***

Article 1206 of the *Canadian Free Trade Agreement* specifically excludes the application of the agreement to cannabis for non-medical purposes. Article 1206 states that the provinces and territories of Canada shall commence negotiations regarding the application of the *Canada Free Trade Agreement* to cannabis for non-medical purposes following Royal Assent of federal legislation legalizing cannabis for non-medical purposes. There is a risk that the outcome of the negotiations will result in the interprovincial and interterritorial trade of cannabis for non-medical purposes in Canada being entirely restricted or subject to conditions that will negatively impact the ability of Pure Sunfarms or Rose LifeScience to sell cannabis in other Canadian provinces and territories.

***Uncertainty in the laws, regulations and guidelines governing cannabis, U.S. hemp or CBD derived products has adversely impacted our business, and may continue to do so in the future.***

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, CBD and U.S. hemp as well as 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.

Even absent the November 2025 Appropriations Act, CBD remains subject to further study by the FDA in order to receive FDA approval to include CBD based products in food and beverages. Until the FDA receives either more scientifically-based health and wellness studies, or further Congressional direction, the FDA will not allow CBD to be put into food or beverages. For more information, see “—Our U.S. Cannabis business is subject to FDA and USDA regulation.” below. As such, there has been a negative impact on the sales of all CBD products across the country since the initial interest in CBD products in 2019 and 2020. This has resulted in U.S. retailers moving away from carrying CBD based products in light of potential FDA scrutiny and has had a negative impact on the sales of all CBD products across the United States, and has negatively affected the Company’s business and required the Company to record goodwill impairments in our U.S. Cannabis segment (see "Liquidity and Capital Resources--Critical Accounting Policies, Estimates and Judgements"). The FDA continues to not only publish guidance indicating their unwillingness to pursue rulemaking allowing the use of CBD in dietary supplements or conventional foods, but also issue warning letters to some CBD companies that are making health and wellness claims, which has increased regulatory uncertainty regarding CBD and has pushed U.S. retailers further away from CBD products. As a result of the foregoing factors, the Company and other cannabis and CBD companies have suffered a decline in the price of their common shares and their overall market capitalizations. We can provide no assurance that the FDA will provide any greater certainty regarding the use of CBD in food and beverages in the near term, or at all, and accordingly, our business may continue to be affected, and the impact on our financial results may be material.

In addition, no assurance can be given that new laws (such as the November 2025 Appropriations Act), 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 CBD operations, increase compliance costs, give rise to material liabilities or a revocation of our licenses and other permits, restrict growth opportunities or otherwise limit or curtail or eliminate our operations. For example, the proliferation of unregulated, synthetic and intoxicating hemp-derived products in the U.S. market continues to challenge market share for the CBD industry and is causing certain states to impose significant restrictions or bans on hemp-derived products. Additions of new restrictions, 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 or business, financial condition and results of operations.

***Restricted access to banking, including anti-money laundering laws and regulations may adversely impact our business.***

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 Secure and Fair Enforcement (“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 or the SAFER 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.

***Our U.S. Cannabis business is subject to FDA and USDA regulation.***

Cannabinoids derived from hemp as defined in the 2018 Farm Bill are 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, or limit, the use of hemp in commercial products.

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.

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

As the cannabis products of our Canadian, Dutch and U.S. Cannabis businesses 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 unsafe 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.

***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

***We are subject to environmental, health and safety, and other governmental regulations and we may incur material expenses in order to comply with these regulations.***

Our operations are governed by a broad range of federal, state, provincial and local environmental, health and safety laws and regulations, permits, approvals, and common law and other requirements that impose obligations relating to, among other things: worker health and safety; the release of substances into the natural environment; the production, processing, preparation, handling, storage, transportation, disposal, and management of substances (including liquid and solid, non-hazardous and hazardous wastes and hazardous materials); and the prevention and remediation of environmental impacts such as the contamination of soil and water (including groundwater). Government approvals and permits are currently, and may in the future be, required in connection with our operations. To the extent such approvals are required and not obtained, our operations may be curtailed or enjoined, which may be for an extended period of time, which could result in a reduction in our proposed levels of production or require abandonment or delays in development of our production facilities and otherwise negatively affect our growth. Our failure to comply with applicable laws, rules, regulations, and policies may subject us to civil or regulatory proceedings, including fines, injunctions, administrative orders, or seizures, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions, any of which may have a material adverse effect on our financial condition and results of operations. Also, as a result of the above requirements, our operations and ownership, management and control of property carry an inherent risk of environmental liability (including potential civil actions, compliance or remediation orders, fines, and other penalties), including with respect to the disposal of waste and the ownership, management, control or use of transport vehicles and real estate. Compliance with all such laws and future changes to them may impose material costs on us. We have incurred and expect to continue to incur significant capital and operating expenditures to comply with such laws. Future discovery of previously unknown environmental issues, including contamination of property underlying or in the vicinity of our present or former properties or manufacturing facilities, could require us to incur material unforeseen expenses. All of these risks and related potential expenses may have a material adverse effect on our financial condition and results of operations.

In addition, environmental laws, rules and regulations in Canada and the United States are evolving in a manner which may require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our compliance costs, result in future liabilities or otherwise have an adverse effect on our results of operations or financial condition.

***Our greenhouse produce business is subject to extensive regulations.***

Our greenhouse produce business is subject to extensive laws and regulations with respect to the production, handling, distribution, packaging and labelling of our products. Such laws, rules, regulations, and policies are administered by various federal, state, provincial, regional, and local health agencies and other governmental authorities. Changes to any of these laws and regulations could have a significant impact on us. There can be no assurance that we will be able to cost effectively comply with future laws and regulations. Our failure to comply with applicable laws and regulations may subject us to civil or regulatory proceedings, including fines, injunctions, recalls or seizures, which may have a material adverse effect on our financial condition and results of operations.

In addition, we voluntarily submit to guidelines set by certain private industry associations. Failure to comply with such guidelines or to adopt more stringent guidelines set by such associations in the future may result in lower sales in certain retail markets and may adversely affect our financial condition and results of operations. Among the regulations to which we are subject are those administered by the British Columbia Vegetable Marketing Commission (“BCVMC”). The BCVMC grants each licensed producer that it regulates an annual quota to produce specified products in a given year. The BCVMC also has the authority to set the prices at which a regulated product may be bought or sold in British Columbia. There can be no assurance that the BCVMC will not alter its quota allocation policy or that the BCVMC will not introduce pricing restrictions in a manner that could adversely affect our financial condition and results of operations. There can be no assurance that a modification of the current regulatory schemes will not have an adverse effect on our financial condition or results of operations.

***We may experience environmental, health and safety incidents.***

Our facilities could experience incidents, malfunctions or other unplanned events that could result in discharges in excess of permitted levels resulting in personal injury, fines, penalties or other sanctions and property damage. We must maintain a number of environmental and other permits from various governmental authorities in order to operate. Failure to maintain compliance with these requirements could result in operational interruptions, fines or penalties, or the need to install potentially costly pollution control technology. Compliance with current and future environmental laws and regulations, which are likely to become more stringent over time, including those governing greenhouse gas emissions, may impose additional capital costs and financial expenditures, which could adversely affect operational results and profitability.

***The controversy surrounding vaporizers and vaporizer products may materially and adversely affect the market for vaporizer products and expose us to litigation and additional regulation.***

There have been a number of highly publicized cases involving lung and other illnesses and deaths that appear to be related to vaping products, including vaporizer devices and/or products used within such devices (such as vaping liquids). The focus is currently on the vaporizer devices, the manner in which the devices were used, and the related vaping liquids used with these devices - such as THC, nicotine, other substances in vaporizer liquids, possibly adulterated products and other illegal unlicensed cannabis vaping products. Some states, provinces, territories and municipalities in Canada and the United States have already taken steps to prohibit the sale or distribution of vaping products, restrict the sale and distribution of such products or impose restrictions on flavours or use of such vaporizers. This trend may continue, accelerate and expand.

This controversy could well extend to non-nicotine containing vaping devices and other product formats. Any such extension could materially and adversely affect our business, financial condition, operating results, liquidity, cash flow and operational performance. Litigation pertaining to vaping products is ongoing and that litigation could potentially expand to include our products, which would materially and adversely affect our business, financial condition, operating results, liquidity, cash flow and operational performance.

In Canada, vaping products that contain cannabis are regulated under the *Cannabis Act*, Cannabis Regulations and other laws and regulations of general application. Negative public sentiment may prompt regulators to decide to further limit or defer the industry’s ability to sell cannabis vaporizer products, and may also diminish consumer demand for such products. For instance, Health Canada has new regulations that place limits on the advertising and promotion of vaping products and make health warnings on vaping product advertising mandatory, although such regulations explicitly exclude cannabis and cannabis accessories.

The provincial governments in Quebec and Newfoundland and Labrador have imposed certain provincial regulatory restrictions on the sale of cannabis vape products, and Health Canada is seeking to limit the flavours of inhaled cannabis extracts. In June 2021, Health Canada opened a consultation into the use of flavours in inhaled cannabis extracts as it claims that the availability of flavours is one of the factors that contributes to the increase in cannabis vaping in youth and young adults. As part of this consultation, Health Canada released proposed regulations that contemplate prohibiting the production, sale, promotion, packaging and labelling of inhaled cannabis extracts from having a flavour, other than the flavour of cannabis. The proposed amendments would apply equally to inhaled cannabis extracts sold for medical and non-medical purposes. The consultation period closed in September 2021. Health Canada previously referenced these proposed regulatory amendments in earlier forward regulatory plans (such as the 2023-2025 plan and the 2024-2026 plan), although the currently posted 2025-2027 plan does not list this initiative. There can be no assurance that we will be able to meet any additional compliance requirements or regulatory restrictions, or remain competitive in the face of unexpected changes in market conditions.

These actions, together with potential deterioration in the public's perception of cannabis containing vaping liquids, may result in a reduced market for our vaping products.

***Future research may lead to findings that vaporizers, electronic cigarettes and related products are not safe for their intended use.***

Vaping products including vaporizers, electronic cigarettes, vaping liquid and related products were recently developed and therefore the scientific or medical communities have had a limited period of time to study the long-term health effects of their use. Currently, there is limited scientific or medical data on the safety of such products for their intended use and the medical community is still studying the health effects of the use of such products, including the long-term health effects. If a consensus were to develop among the scientific or medical community that the use of any or all of these products pose long-term health risks, market demand for these products and their use could materially decline. Such a development could also lead to litigation, reputational harm and significant regulation. Loss of demand for our product, product liability claims and increased regulation stemming from unfavorable scientific studies on vaping products could have a material adverse effect on our business, results of operations and financial condition.

***Our U.S. marketing programs use customer information and other personal and confidential information as well as digital communications, which may subject us to liability if we misuse this information.***

Our current and future U.S. marketing programs may depend on our ability to collect, maintain, and use data and sensitive personal information on individuals, and our ability to do so is subject to evolving laws and enforcement trends in Canada and other jurisdictions. We strive to comply with all applicable laws and other legal obligations relating to privacy, data protection and consumer protection, including those relating to the use of medical information and data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, conflict with other rules, conflict with our practices or fail to be observed by our employees or business partners. If so, we may suffer damage to our reputation and become subject to proceedings or actions against it by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts to defend our practices, distract our management or otherwise have an adverse effect on our business.

Certain of our marketing practices may rely upon e-mail, social media, and other means of digital communication to communicate with consumers on our behalf. We may face risk if our use of e-mail, social media or other means of digital communication is found to violate applicable laws. We intend to post our privacy policy and practices concerning the use and disclosure of user data on our website. Any failure by us to comply with our posted privacy policy, anti-spam legislation or other privacy-related laws and regulations could result in proceedings which could potentially harm our business. In addition, as data privacy and marketing laws change, we may incur additional costs to ensure we remain in compliance. If applicable data privacy and marketing laws become more restrictive at the international, federal, provincial, or state levels, our compliance costs may increase, our ability to effectively engage customers via personalized marketing may decrease, our investment in our e-commerce platform may not be fully realized, our opportunities for growth may be curtailed by our compliance burden and our potential reputational harm or liability for security breaches may increase.

***LABOR and EMPLOYMENT RISK FACTORS***

***Our operations are dependent on labor availability which includes accessing government sponsored foreign labor programs in Canada.***

Our operations are labor intensive, particularly during peak harvest months. In Canada, most of our labor is supplied by contract labor suppliers on short-term contracts and workers hired through the Seasonal Agriculture Workers Program. There can be no assurance that we will be able to source sufficient skilled laborers in the future. Any disruption in the Canadian foreign worker program could have a detrimental impact on our ability to cultivate fresh produce.

Efforts by labor unions to organize our employees could divert management attention away from regular day-to-day operations and increase our operating expenses. Labor unions may make attempts to organize our non-unionized employees. We are not aware of any activities relating to union organizations at any of our greenhouse facilities. We cannot predict which, if any, groups of employees may seek union representation in the future or the outcome of any collective bargaining. If we are unable to negotiate acceptable collective bargaining agreements, we may have to wait through "cooling off" periods, which are often followed by union-initiated work stoppages, including strikes. Depending on the type and duration of any work stoppage, our operating expenses could increase significantly, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Our Dutch cannabis business relies on the continued operations of coffee shops in 10 cities (legal coffee shops) to purchase and distribute its product. Should these stores not continue to operate, it would negatively impact our Dutch cannabis revenues and operations.

***Our operations depend on our key executives.***

We depend heavily on each member of our management team and the departure of a member of management could cause our operating results to suffer. We maintain a "key person" insurance policy on one member of our management team. Our future success

will depend on, among other things, our ability to keep the services of these key executives and to hire other highly qualified employees at all levels. We compete with other potential employers for employees, and we may not be successful in hiring and retaining the services of executives and other employees that we require. The loss of the services of, or our inability to hire, executives or key employees could hinder our business operations and growth.

In addition, our cannabis businesses are dependent on their ability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of our cannabis businesses, results of operations and could limit our ability to develop and market our cannabis-related products. The loss of any of cannabis senior management or key employees could materially adversely affect our ability to execute our business plan and strategy, and our cannabis businesses may not be able to find adequate replacements on a timely basis, or at all.

Further, each director and officer of a company that holds a license for cultivation, processing or sale under the Cannabis Regulations or Experiment (in the Netherlands) is subject to the requirement to obtain and maintain a security clearance under the respective county of operations regulations. Certain additional key personnel are also required to obtain and maintain a security clearance. Under the Cannabis Regulations, a security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance. There is no assurance that any of the existing personnel or directors who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require security clearance will be able to obtain one. A failure by an individual in a key operational position to maintain or renew his or her security clearance could result in a reduction or complete suspension of Pure Sunfarms' operations.

## **TAX RISK FACTORS**

***If the Company is classified as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes, certain generally adverse U.S. federal income tax consequences could apply to U.S. investors.***

In general, a non-U.S. corporation will be a PFIC if (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of its assets produce, or are held for the production of, passive income. Based on the Company's current and expected income, assets, and activities, we do not expect the Company to be classified as a PFIC for the current taxable year or in the foreseeable future. However, the PFIC determination is made annually at the end of each taxable year and depends on a number of factors, some of which are beyond the Company's control, including the value of its assets and the amount and type of its income. Accordingly, there can be no assurance that the Company will not be classified as a PFIC for any taxable year or that the Internal Revenue Service ("IRS") will agree with our belief regarding the Company's PFIC status. If the Company were classified as a PFIC, a U.S. person who owns Common Shares could be subject to adverse tax consequences, including a greater tax liability than might otherwise apply, an interest charge on certain taxes deemed deferred as a result of the Company's non-U.S. status, and additional U.S. tax filing obligations, regardless of the number of Common Shares owned. Certain elections might be available to mitigate the foregoing adverse tax consequences. U.S. investors are urged to consult their own tax advisers regarding the implications of the PFIC rules for an investment in Common Shares.

### ***We may be exposed to transfer pricing risks***

Prior to the Produce Transaction that was completed in May 2025, under sales agreements, VF Opco agreed to sell some of its produce inventory to VF LP for resale in the United States, and VF LP has agreed to sell some of its inventory to VF Opco for resale in Canada. We believe the amounts charged for inventory pursuant to these sales agreement reflect the fair market value of the goods sold. However, no assurance can be given in this regard. Based on certain transfer pricing rules, the IRS and the Canada Revenue Agency have, in the past, and may, in the future, challenge such amounts as differing from those that would have been charged between persons dealing at arm's length. This could result in more tax (and penalties and interest) being due, which could have a material adverse effect on our business, financial condition, and results of operations.

### ***Changes in tax treatment of companies engaged in e-commerce could materially affect our financial condition and results of operations.***

Because we engage in e-commerce activity, we may face an increased exposure to tax liability. The U.S. Supreme Court addressed the taxation of e-commerce in *South Dakota v. Wayfair Inc.*, holding that a state may now enforce or adopt laws that require an e-commerce retailer 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 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 by various taxing 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 failure 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. The 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 modified taxes could increase the cost of doing business online and decrease the attractiveness of selling products over the Internet. New taxes could also significantly increase our costs of capturing data and collecting and remitting taxes. Any of these consequences could have a material adverse effect on our business, financial condition, and results of operations.

***U.S. Holdings may be treated as U.S. real property holding corporation for U.S. federal income tax purposes, which could cause VF Opco to be subject to U.S. federal income tax.***

If U.S. Holdings is treated as a "United States real property holding corporation" for U.S. federal income tax purposes, then VF Opco could be subject to U.S. federal net income tax on the portion of a distribution from U.S. Holdings treated as a gain, which could have a material adverse effect on our business, financial condition, and results of operations.

***VF Canada GP and VF Canada LP may be deemed to maintain a U.S. permanent establishment for tax purposes.***

Under the Canada-U.S. Income Tax Convention, the United States is permitted to tax the business profits of a Canadian resident that are attributable to a permanent establishment ("PE") of that Canadian resident located in the United States. A Canadian resident generally will be treated as maintaining a PE in the United States if, among other situations, an agent of the Canadian resident (other than an independent agent acting in the ordinary course of its business) has, and habitually exercises in the United States, the authority to conclude contracts in the name of the Canadian resident.

Due to the cross-border activity of certain of our employees, the United States may deem VF Canada GP and VF Canada LP to maintain a U.S. PE. In such case, VF Canada GP and VF Canada LP generally would be required to file U.S. federal income tax returns and would be subject to U.S. federal net income tax with respect to their business profits attributable to such PE. These tax consequences could have a material adverse effect on our business, financial condition, and results of operations.

## **COMMON SHARES RISK FACTORS**

***Our market price of our Common Shares has been and is likely to continue to be volatile and an investment in our Common Shares could suffer a decline in value.***

You should consider an investment in our Common Shares as risky and invest only if you can withstand a significant loss and wide fluctuations in the market value of your investment. The market price of our Common Shares has been highly volatile and is likely to continue to be volatile. This leads to a heightened risk of securities litigation pertaining to such volatility. Factors affecting our Common Share price include but are not limited to: (i) our ability to continue as a going concern; (ii) general market conditions; (iii) our ability to raise additional capital and/or secure additional financing on acceptable terms, or at all; (iv) market and/or industry developments in produce, cannabis or hemp that may directly or indirectly affect us; (v) regulatory and legislative developments, particularly with respect to cannabis and/or CBD, in Canada, the Netherlands and the United States or elsewhere to the extent applicable; (vi) our ability to operate in Canada, the United States and the Netherlands under the circumstances of current economic and legal/regulatory conditions, including as a result of the November 2025 Appropriations Act, the unfavorable interest rate environment, global supply chain issues, and inflation; (vii) potentially unfavorable report published by securities analysts; (viii) public concern as to the safety of the products that we and our competitors develop; (ix) our material weaknesses in our internal controls over financial reporting; and (x) fluctuations of shareholder interest in our Common Shares.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Common Shares may decline even if our operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in the Common Shares by those institutions, which could materially adversely affect the trading price of the Common Shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such

increased levels of volatility and market turmoil continue for a protracted period of time, our operations and the trading price of the Common Shares may be materially adversely affected.

***Future issuances or sales of our Common Shares could cause our share price to fall and may dilute your common shares.***

The issuance of Common Shares by us will result in dilution in the equity interest of existing shareholders and adversely affect the market price of our Common Shares. For example, in January 2023 we completed the 2023 Equity Offering in which we issued an aggregate of 18,350,000 Common Shares as well as Common Warrants to purchase an additional 18,350,000 Common Shares, each exercisable at \$1.65 per Common Warrant and became exercisable commencing July 2023.

As of March 6, 2026, 15,298,900 of the 2023 Common Warrants (as defined in “2023 Equity Offering”) were still outstanding. The 2023 Common Warrants expire on July 30, 2028.

Furthermore, we have in the past and may in the future grant, to some or all of our directors, officers and employees, options to purchase our Common Shares and other stock-based awards as non-cash incentives to those persons. As of March 6, 2026 there were 6,159,411 Common Shares issuable upon exercise of outstanding options at a weighted-average exercise price of \$3.47 per share and 2,106,376 of Restricted Stock Units (“RSUs”) were outstanding leaving 3,244,655 Common Shares reserved and available for issuance upon exercise of additional options and other stock-based awards that may be granted in the future under our equity compensation plan. The issuance of additional Common Shares upon exercise of outstanding options, warrants and other convertible securities will cause our existing shareholders to experience dilution of their ownership interests.

Any additional issuances of Common Shares or a decision to acquire other businesses through the sale or issuance of equity securities or in connection with acquisitions or strategic alliances may dilute our investors’ interests, and investors may suffer dilution in their net book value per share depending on the price at which such securities are issued. Such issuance may cause a reduction in the proportionate ownership and voting power of all other shareholders. The dilution may result in a decline in the price of our Common Shares, a change in control, and could have an undesirable impact on our ability to raise capital in the future.

***Certain Canadian laws could delay or deter a change of control.***

Limitations on the ability to acquire and hold our Common Shares may be imposed by the *Competition Act* in Canada. This legislation permits the Commissioner of Competition of Canada to review any acquisition of a significant interest in us. This legislation grants the Commissioner jurisdiction to challenge such an acquisition before the Canadian Competition Tribunal if the Commissioner believes that it would, or would be likely to, result in a substantial lessening or prevention of competition in any market in Canada. The *Investment Canada Act* subjects an acquisition of control of a company by a non-Canadian to government review if the value of our assets, as calculated pursuant to the legislation, exceeds a threshold amount. A reviewable acquisition may not proceed unless the relevant minister is satisfied that the investment is likely to result in a net benefit to Canada. Any of the foregoing could prevent or delay a change of control and may deprive or limit strategic opportunities for our shareholders to sell their shares.

***The exercise of all or any number of outstanding stock options, the award of any additional options, restricted stock units or other stock-based awards or any issuance of shares to raise funds or acquire a business may dilute your Common Shares.***

We have in the past and may in the future grant, to some or all of our directors, officers and employees, options to purchase our Common Shares and other stock-based awards as non-cash incentives to those persons. As of March 6, 2026 there were 6,159,411 Common Shares issuable upon exercise of outstanding options at a weighted-average exercise price of \$3.47 per share and 2,106,376 RSUs outstanding, which leaves 3,244,655 Common Shares reserved and available for issuance upon exercise of additional options and other stock-based awards that may be granted in the future under our equity compensation plans. The issuance of additional Common Shares upon exercise of outstanding options, warrants and other convertible securities will cause our existing shareholders to experience dilution of their ownership interests.

Any additional issuances of Common Shares or a decision to acquire other businesses through the sale or issuance of equity securities may dilute our investors’ interests, and investors may suffer dilution in their net book value per share depending on the price at which such securities are issued. Such issuance may cause a reduction in the proportionate ownership and voting power of all other shareholders. The dilution may result in a decline in the price of our Common Shares or a change in control.

***We do not expect to pay dividends for the foreseeable future.***

We have not paid any cash dividends to date, and we do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest future earnings, if any, in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their Common Shares, and shareholders may be unable to sell their shares on favorable terms or at all. We cannot assure you of a positive return on investment or that you will not lose the entire amount of your investment in our Common Shares. Prospective investors seeking or needing dividend income or liquidity, or who cannot afford to lose the entire amount of their investment in our Common Shares, should not purchase our Common Shares.

***GENERAL RISK FACTORS***

***We face risks related to cyber security attacks and other incidents.***

Cyber security has become an increasingly problematic issue for issuers and businesses around the world, including us. Cyber security attacks against organizations of all sizes are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems. Our primary risk that could directly result from the occurrence of a cyber incident include operational interruption, damage to our reputation, damage to our business relationships, disclosure of confidential information regarding our employees and third parties with whom we interact, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, and litigation. We are also at risk of theft of proprietary data for the purposes of extracting payment for its return (ransomware attack). We maintain cyber security insurance and have implemented processes, procedures, and controls to help mitigate these risks, but these measures, as well as our increased awareness of a risk of a cyber incident, do not guarantee that our financial results will not be negatively impacted by such an incident. We can provide no assurance that a cybersecurity incident could have a material adverse impact on financial performance and results of operations.

***Inflation may continue to rise and increase our operating costs.***

For the year ended December 2025, the US Bureau of Labor and Statistics reported that inflation increased 2.7 percent as against prices from December 2024. Rising inflation affects our cultivation costs, distribution costs and operating expenses. We believe that volatile prices for commodities have impacted our operating results. We maintain strategies to mitigate the impact of higher raw material, energy and commodity costs, which include cost reduction, sourcing, passing along certain cost increases to customers and other actions, which may help to offset a portion of the adverse impact.

***It may be difficult for non-Canadian investors to obtain and enforce judgments against us because of our Canadian incorporation and presence.***

We are a corporation existing under the laws of Canada. Some of our directors and officers named in this Annual Report on Form 10-K are residents of Canada, and all or a substantial portion of their assets, and a substantial portion of our assets, are located outside the United States. Consequently, although we have appointed an agent for service of process in the United States, it may be difficult for holders of our Common Shares who reside in the United States to effect service within the United States upon our directors and officers who are not residents of the United States. It may also be difficult for holders of our Common Shares who reside in the United States to realize in the United States upon judgments of courts of the United States predicated upon our civil liability and the civil liability of our directors and officers under the United States federal securities laws. Investors should not assume that Canadian courts (i) would enforce judgments of United States courts obtained in actions against us or our directors and officers predicated upon the civil liability provisions of the United States federal securities laws or the securities or “blue sky” laws of any state within the United States or (ii) would enforce, in original actions, liabilities against us or our directors and officers predicated upon the United States federal securities laws or any such state securities or “blue sky” laws. In addition, we have been advised by our Canadian counsel that in normal circumstances, only civil judgments and no other rights arising from United States securities legislation are enforceable in Canada and that the protections afforded by Canadian securities laws may not be available to investors in the United States.

***The effect of sanctions and an escalation of the conflict in Ukraine may further disrupt supply chains and adversely impact our business.***

As a result of the current conflict between Russia and Ukraine and related geopolitical tensions, there have been, and may continue to be, significant adverse impact on fuel, transportation costs and natural resources. Additionally, the governments of the United States, the European Union, Canada and other jurisdictions have announced the imposition of sanctions on certain industry sectors and parties in Russia as well as enhanced export controls on certain products and industries. These and any additional sanctions and export controls, as well as any counter responses by the governments of Russia, could adversely affect, the global supply chain, and the availability and prices of raw materials, energy prices, as well as the global financial markets and financial services industry.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None

**ITEM 1C. CYBERSECURITY DISCLOSURES**

***Risk Management and Strategy***

Management of cybersecurity risks is an integral part of our overall risk management framework and is essential for safeguarding our business and data. We have established policies and processes for assessing, identifying, and managing material risk from cybersecurity threats, and have integrated these processes into our risk management systems and processes. We routinely assess material risks from cybersecurity threats, including any potential unauthorized occurrence on or conducted through our information

systems that may result in adverse effects on the confidentiality, integrity, or availability of our information systems or any information residing therein. Following these risk assessments, we may accept identified risks; re-design, implement, and maintain reasonable safeguards to minimize identified risks; reasonably address any identified gaps in existing safeguards; and regularly monitor the effectiveness of our safeguards.

Our cybersecurity risk management program works to balance critical infrastructure, network, application, cloud and information security objectives with overall business objectives and risk tolerance. Specific controls that are used include endpoint threat detection and response, identity and access management, privileged access management, logging and monitoring involving the use of security information and event management, multi-factor authentication, firewalls and intrusion detection and prevention, and vulnerability and patch management.

We use both external and internal threat intelligence sources to inform our defensive measures, including information from industry vendors and government agencies. We monitor evolving risks and threat events to implement security controls where applicable.

We believe in continuous improvement as part of the effort to optimize security, and we work to foster that culture through various initiatives:

- **Cybersecurity Awareness Trainings:** We educate employees on best practices for online safety and for identifying potential cybersecurity threats, including by initiating training programs for our entire employee base.
- **Security Monitoring:** We monitor our information technology environment with both our internal cybersecurity resources and third-party service providers.
- **Proactive Reporting and Investigation:** As part of our training initiatives, we educate employees on how to report any suspicious cyber activity or potential cybersecurity issues, and we investigate reported concerns.

We engage a variety of third-party service providers to process and store data, including certain customer information, some of which may include personally identifiable information. We also depend on third-party service providers to host many of the systems and infrastructure used to provide our products and services. A limited number of third-party services support essential functions of our business, including the use of cloud-based technology.

## ***Governance***

Our Board of Directors has overall oversight responsibility for our enterprise risk management program and delegates cybersecurity risk management oversight to the Audit Committee of the Board of Directors. The Audit Committee oversees major enterprise risks, and the steps management has taken to monitor and control such exposure, including risks to our information technology infrastructure and security. The Audit Committee is responsible for ensuring independent examination of management's programs to identify, assess, respond to and monitor risks, which include those performed by third party consultants. Management is responsible for identifying, considering and assessing material cybersecurity risks on an ongoing basis, establishing processes to ensure that such potential cybersecurity risk exposures are monitored, putting in place appropriate mitigation measures and maintaining cybersecurity programs.

Our cybersecurity programs are managed by a team of professionals who monitor the prevention, detection, mitigation and remediation of cybersecurity incidents. Our cybersecurity team includes personnel that have obtained credentials from the International System Security Certification Consortium and the SANS Institute, such as Certified Information Systems Security Professional (CISSP), as well as experienced information systems security professionals and information security managers.

We recognize the ever-present global risk of cyberattacks from diverse threat actors, including nation-states, cybercriminals, hacktivists, insiders and organized crime. In spite of our efforts, we (or third parties we rely on) may not be able to fully, continuously and effectively implement security controls as intended. As described above, we utilize a risk-based approach and judgment to determine the security controls to implement, but it is possible we may not implement appropriate controls if we do not recognize, or we underestimate a particular risk. In addition, security controls, no matter how well designed or implemented, may only mitigate and not fully eliminate risks. Further, even events that are detected by security tools or third parties may not always be immediately understood or acted upon. While no organization is immune to attack attempts and we cannot eliminate all risks from cybersecurity threats or provide assurance that we have not experienced an undetected cybersecurity incident, in 2025 we did not identify any material cybersecurity events that have materially affected or are reasonably likely to materially affect our business strategy, results of operations or financial condition. For additional information regarding risks from cybersecurity threats, including our business strategy, results of operations, or financial condition, please refer to Item 1A, "Risk Factors," in this Annual Report on Form 10-K, including the risk factor entitled "We face risks related to cyber security attacks and other incidents."

## ITEM 2. PROPERTIES

Our primary executive offices are located at 90 Colonial Parkway, Lake Mary, Florida, 32746.

The following table outlines the Company's greenhouse facilities.

<b>Operating Facilities</b>	<b>Square Feet</b>	<b>Growing Area</b>		<b>Products Grown</b>
		<b>Square Meters</b>	<b>Acres</b>	
Delta, BC (Delta 2) (1 greenhouse)	1,075,530	99,920	25	Cannabis
Delta, BC (Delta 3) (1 greenhouse)	1,100,000	100,000	25	Cannabis
Huntingdon, Quebec (1 indoor controlled growing facility)	55,000	5,110	1	Cannabis
Drachten, Netherlands (1 indoor controlled growing facility)	22,600	2,100	1	Cannabis
Groningen, Netherlands (1 indoor controlled growing facility)	60,900	5,658	1	Under Construction
<b>Total cannabis operations</b>	<b>2,314,030</b>	<b>212,788</b>	<b>53</b>	
Marfa, TX (1 greenhouse)	871,200	80,937	20	Leased to Vanguard
Monahans, TX (1 greenhouse) (Permian Basin facility)	1,272,294	118,200	30	Not in operation
Delta, BC (Delta 1) (1 greenhouse)				Tomatoes on-the-vine, beefsteak and specialty tomatoes
<b>Total produce operations</b>	<b>4,732,354</b>	<b>439,650</b>	<b>110</b>	

We believe that our existing facilities are adequate for our needs. Should we require additional facilities in the future, we believe that such facilities can be acquired or leased on commercially reasonable terms.

## ITEM 3. LEGAL PROCEEDINGS

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 is reasonably estimable. The Company is not involved in any legal proceedings other than ordinary 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 operations. Additionally, there were no environmental matters requiring disclosure pursuant to Item 103(c)(3) of Regulation S-K.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Shares are currently traded on The Nasdaq Stock Market LLC under the symbol "VFF".

#### Holders of Record

As of March 6, 2026, there were approximately 11 shareholders of record of our Common Shares, which included Cede & Co., a nominee for Depository Trust Company, whose participants include CDS & Co., a nominee for The Canadian Depository for Securities Ltd. Common shares that are held by financial institutions as nominees for beneficial owners are deposited into participant accounts at either Depository Trust Company or The Canadian Depository for Securities Ltd., which represents one shareholder of record.

#### Dividend Policy

We have not paid any cash dividends or distributions on any class of our securities, and we have no current plans to pay dividends as we are growth focused.

#### Recent Sales of Unregistered Securities

None.

#### Repurchases of Equity Securities

The table below provides information about Company purchases of its Common Shares during the three months ended December 31, 2025:

	Total Number of Shares Purchased <sup>(a)</sup>	Average Price Paid per Share <sup>(b)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (in thousands of U.S. dollars)
October 1 - 31, 2025	—	—	—	\$ 10,000
November 1-30, 2025	536,523	\$ 3.73	536,523	\$ 8,001
December 1-31, 2025	276,400	\$ 3.52	276,400	\$ 7,029
Total	812,923	\$ 3.66	812,923	\$ 7,029

(a) On September 29, 2025, the Board of Directors authorized a \$10 million share repurchase for up to 5,687,000 of the Company's outstanding Common Shares.

(b) Average price paid includes costs associated with the repurchases.

#### Exchange and Foreign Ownership Controls

We are not aware of any Canadian federal or provincial laws, decrees, or regulations that restrict the export or import of capital, including foreign exchange controls, or that affect the remittance of dividends, interest, or other payments to non-Canadian holders of the Common Shares. There are no limitations under the laws of Canada or by the charter or our other constituent documents on ownership of our voting shares by non-Canadians, except the *Investment Canada Act* which may require review and approval by the Minister of Innovation (Canada) of certain acquisitions of control of us by non-Canadians. The threshold for acquisitions of control is generally defined as being one-third or more of our voting shares, provided certain financial thresholds are also exceeded. If the investment is potentially injurious to national security, it may be subject to review under the *Investment Canada Act* notwithstanding the percentage interest acquired or amount of the investment. "Non-Canadian" generally means an individual who is not a Canadian citizen, or a corporation, partnership, trust, or joint venture that is ultimately controlled by non-Canadians.

#### Certain Canadian Federal Income Tax Considerations for U.S. Residents

The following is a summary of the principal Canadian federal income tax considerations generally applicable under the *Income Tax Act* (Canada) (together with the regulations thereto, the "Tax Act") to a beneficial holder of our Common Shares, Common Warrants and Common Shares issued upon exercise of the Common Warrants ("Common Warrant Shares") who, for the purposes of the Tax Act and the *Canada-United States Income Tax Convention* (1980) (the "Treaty"), and at all relevant times, (i) is not and is not deemed to be a resident in Canada, (ii) is a resident of the United States for the purposes of the Treaty and is entitled to the full benefits thereunder, (iii) holds all Common Shares, Common Warrants and Common Warrant Shares as capital property, (iv) deals at arm's length with and is not affiliated with the Company, and (v) does not use or hold and is not deemed to use or hold our Common Shares, Common Warrants and Common Warrant Shares in connection with a business carried on in Canada (each such holder, a "U.S. Resident Holder").

This summary is not generally applicable to a U.S. Resident Holder: (i) that is an insurer carrying on an insurance business in Canada and elsewhere, (ii) that is an “authorized foreign bank” (as defined in the Tax Act), (iii) that is a “financial institution” (as defined in the Tax Act) for purposes of the “mark-to-market property” rules; (ii) an interest in which is or would constitute a “tax shelter investment” (as defined in the Tax Act); (iii) that is a “specified financial institution” (as defined in the Tax Act); or (iv) that has or will enter into a “synthetic disposition arrangement” or a “derivative forward agreement” (as those terms are defined in the Tax Act) in respect of our Common Shares, Common Warrants and Common Warrant Shares. Such U.S. Resident Holders should consult their own tax advisors.

Generally, a U.S. Resident Holder’s Common Shares, Common Warrants and Common Warrant Shares will be considered to be capital property of the U.S. Resident Holder provided the U.S. Resident Holder does not hold such shares and Common Warrants in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is based upon the current provisions of the Tax Act and the Treaty in force on the date hereof, and the current administrative policies and assessing practices of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Tax Proposals”) and assumes that all Tax Proposals will be enacted in the form proposed. However, no assurances can be given that the Tax Proposals will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, administrative, or judicial action or decision, nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular holder or prospective holder of our Common Shares, Common Warrants and Common Warrant Shares, and no opinion or representation with respect to the tax consequences to any holder or prospective holder of our Common Shares, Common Warrants and Common Warrant Shares is made. Accordingly, holders and prospective holders of our Common Shares, Common Warrants and Common Warrant Shares should consult their own tax advisors with respect to the income tax consequences of purchasing, owning, and disposing of our Common Shares, Common Warrants and Common Warrant Shares in their particular circumstances.

#### *Currency*

For the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of our Common Shares, Common Warrants and Common Warrant Shares (including dividends, adjusted cost base and proceeds of disposition) must be expressed in Canadian dollars based on the rate quoted by the Bank of Canada for the applicable day or such other rate of exchange that is acceptable to the Canada Revenue Agency.

#### *Exercise of Common Warrants*

No gain or loss will be realized by a U.S. Resident Holder on the exercise of a Common Warrant to acquire a Common Warrant Share. When a Common Warrant is exercised, the U.S. Resident Holder’s cost of the Common Warrant Share acquired thereby will be equal to the aggregate of the U.S. Resident Holder’s adjusted cost base of such Common Warrant and the exercise price paid for the Common Warrant Share. The U.S. Resident Holder’s adjusted cost base of the Common Warrant Share so acquired will be determined by averaging the cost of the Common Warrant Share with the adjusted cost base to the U.S. Resident Holder of all Common Shares of the Company held as capital property immediately before the acquisition of the Common Warrant Share.

#### *Dividends*

Dividends paid or credited, or deemed to be paid or credited, on our Common Shares and Common Warrant Shares to a U.S. Resident Holder will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividends, subject to reduction under the provisions of the Treaty. Under the Treaty, the rate of Canadian withholding tax applicable to a U.S. Resident Holder that is the beneficial owner of dividends is generally reduced to 15% of the gross amount of the dividends, and, if such U.S. Resident Holder is a company that owns at least 10% of our voting shares at the time of the dividends, the rate of Canadian withholding tax is reduced to 5% of the gross amount of the dividends. U.S. Resident Holders who may be eligible for a reduced rate of withholding tax on dividends pursuant to the Treaty should consult with their own tax advisors with respect to taking all appropriate steps in this regard.

#### *Disposition of Common Shares, Common Warrants and Common Warrant Shares*

A U.S. Resident Holder who disposes or is deemed to dispose of a Common Share, Common Warrant or Common Warrant Share will not be subject to tax under the Tax Act on any capital gain realized on such disposition, unless the Common Share, Common Warrant or Common Warrant Share, as applicable, constitutes “taxable Canadian property,” within the meaning of the Tax Act, of the U.S. Resident Holder at the time of the disposition and the U.S. Resident Holder is not entitled to relief under the Treaty.

Generally, the Common Shares, Common Warrants and Common Warrant Shares of a particular U.S. Resident Holder will not be “taxable Canadian property” of such U.S. Resident Holder at any time at which the Common Shares and Common Warrant Shares are listed on a “designated stock exchange,” within the meaning of the Tax Act (which includes the Nasdaq) unless, at any particular time during the 60-month period that ends at that time, both of the following conditions are met concurrently: (a) 25% or more of the issued shares of any class of the capital stock of the Company were owned by or belonged to one or any combination of (i) the U.S. Resident Holder, (ii) persons with whom the U.S. Resident Holder did not deal at arm’s length for purposes of the Tax Act, and (iii) partnerships in which the U.S. Resident Holder or a person described in (ii) holds a membership interest directly or indirectly through one or more partnerships; and (b) more than 50% of the fair market value of the Common Shares and Common Warrant Shares, as applicable, was derived, directly or indirectly, from one or any combination of: (i) real or immovable property situated in Canada, (ii) “Canadian resource properties” (as defined in the Tax Act), (iii) “timber resource properties” (as defined in the Tax Act), and (iv) options in respect of, or interests in, or for civil law rights in, property described in any of (b)(i) to (iii), whether or not the property exists. Notwithstanding the foregoing, the Common Shares, Common Warrants and Common Warrant Shares may otherwise be deemed to be “taxable Canadian property” in certain circumstances as set out in the Tax Act.

In the case of a U.S. Resident Holder to whom a Common Share, Common Warrant and Common Warrant Share of the Company represents “taxable Canadian property”, under the Treaty, such a U.S. Resident Holder will generally not be subject to tax under the Tax Act on a capital gain realized on the disposition of such share or Common Warrant, as applicable, unless the value of such share or Common Warrant, as applicable, is derived principally from real property situated in Canada (within the meaning of the Treaty).

In the event that a Common Share, Common Warrant and Common Warrant Share is “taxable Canadian property,” within the meaning of the Tax Act, to a U.S. Resident Holder, such U.S. Resident Holder should consult their own tax advisor as to the Canadian federal income tax consequences of the disposition, including potential compliance requirements and withholding under section 116 of the Tax Act.

#### **ITEM 6. [RESERVED]**

#### **ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*This discussion contains forward-looking statements that involve risks and uncertainties. When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that impact our business. In particular, we encourage you to review the risks and uncertainties described in “Risk Factors” in Part I, Item 1A in this Annual Report on Form 10-K. 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.*

All amounts are expressed in thousands of United States dollars unless otherwise stated.

#### **EXECUTIVE OVERVIEW**

Village Farms International, Inc. (“VFF”, together with its subsidiaries, the “Company”, “Village Farms”, “we” “us” or “our”) is a corporation existing under the Business Corporations Act (Ontario). The Company’s principal operating subsidiaries are Pure Sunfarms Corp. (“Pure Sunfarms” or “PSF”), Balanced Health Botanicals, LLC (“Balanced Health”), Rose LifeScience Inc. (“Rose LifeScience” or “Rose”), Leli Holland B. V. (“Leli” or “Leli Holland”) which formally changed its name to Village Farms International B.V. on March 6, 2026, Village Farms Canada Limited Partnership (“VFCLP”), Village Farms L.P. (“VFLP”), and VF Clean Energy, Inc. (“VFCE”).

Village Farms' mission is to apply decades of innovation in intensive agriculture to lead a sustainable path forward for the global cannabis industry. To do so, we leverage a proven track record of asset investment and development, cultivation expertise and experience in controlled environment agriculture to produce branded and wholesale cannabis products for global markets with legally permissible regulatory frameworks.

In Canada, we converted two large-scale, advanced greenhouse facilities to cannabis production to serve for the Canadian legal adult use (recreational), as well as international medical export, markets. Our focus for our Canadian Cannabis segment is to produce high quality cannabis, leveraging our low-cost production to provide preferred products at an attractive price that address the preferred consumer segments in the market. This market positioning, combined with our cultivation expertise, has enabled us to evolve into a leading producer of dried flower nationally and one of the few Canadian licensed producers with consistently strong operating results.

Through strategic organic growth, exports and/or acquisitions, we intend to participate in other international markets where cannabis attains legal status. In September 2021, our Canadian Cannabis business began exporting cannabis products to Australia for that country’s medical market. In March 2022, our Canadian Cannabis business received European Union Good Manufacturing Practice (“EU GMP”) certification for our 1.1 million square foot Delta 3 cannabis facility located in Delta, British Columbia (“B.C.”)

which permits us to export EU GMP-certified medical cannabis to importers and distributors in international markets that require EU GMP certification. In late 2022, we commenced exports to Israel. In 2023, we began exporting cannabis products to Germany and the United Kingdom for the medical markets in those countries. In 2025, we began exporting cannabis products to New Zealand. As a result of the typically higher margins in international medical markets, we expect international expansion to enhance our profitability while expanding our brand and experience into emerging legal cannabis markets.

During September 2024, we completed our acquisition of the remaining 15% equity ownership interest in Leli Holland. Through our ownership of Leli Holland, we hold one of ten licenses to cultivate and distribute cannabis legally in the Netherlands under that country's Controlled Cannabis Supply Chain Experiment, with sales beginning in the first quarter of 2025.

In the U.S., Balanced Health is our industry-leading cannabinoid business, extending our portfolio into cannabidiol ("CBD") and hemp-derived consumer products.

We also cultivate tomatoes and market them through Village Farms Fresh (a Vanguard Holdings Company) under the Village Farms Fresh ("VF Fresh") brand which sells to mass retail grocery stores and food distribution companies.

Our intention is to use our assets, expertise and experience (across cannabis, hemp, CBD and produce ecosystems) to participate in the global cannabis market subject to compliance with all applicable national laws and applicable stock exchange rules.

### Our Operating Segments

#### *Cannabis Canada Segment*

Our Cannabis Canada ("Canadian Cannabis") segment is composed of wholly owned Pure Sunfarms and an 80% ownership interest in Rose LifeScience.

Pure Sunfarms is one of the single largest cannabis growing operations in the world, one of the lowest-cost greenhouse producers and one of the leading flower brands in Canada. Pure Sunfarms leverages our 30 years of experience as a vertically integrated greenhouse grower for cannabis growth opportunities in Canada with commercial distribution in all Canadian provinces and territories, as well as exportation to medical markets outside of North America.

Rose is one of the top-selling licensed producers of cannabis in the Province of Quebec, as well as a prominent cannabis products commercialization expert in Quebec, acting as the exclusive, direct-to-retail sales, marketing and distribution entity for some of the best-known brands in Canada, as well as Quebec-based micro and craft growers.

Our long-term objective for our Canadian Cannabis segment is be the leading low-cost, high-quality cannabis producer and one of the leading brands nationally, and to leverage our experience and success in Canada to become a leading exporter of medicinal cannabis across the world.

#### *Cannabis Netherlands Segment (operating as Leli Holland)*

Our Cannabis Netherlands operating segment is composed of wholly owned subsidiary, Leli Holland B.V. Through Leli, we hold one of ten licenses to cultivate and distribute recreational cannabis legally in the Netherlands under that country's Closed Supply Chain Experiment program, with sales commencing in February 2025. Leli Holland B.V. formally changed its name to Village Farms International B.V. effective on March 6, 2026.

#### *Cannabis U.S. Segment*

Our Cannabis U.S. ("U.S. Cannabis") operating segment is composed of wholly owned subsidiary Balanced Health.

Balanced Health is one of the leading cannabinoid (CBD) brands and e-commerce platforms in the United States. Balanced Health develops and sells high-quality CBD and hemp-based health and wellness products, distributing its diverse portfolio of consumer products through its top-ranked e-commerce platform, CBDistillery™.

#### *Produce Segment*

Our Produce segment is composed of VFCLP and the remaining VFLP assets after the sale and transfer of our produce assets with Vanguard Holdings in May 2025.

Our Produce segment cultivates premium-quality, greenhouse-grown tomatoes in Canada. The tomatoes are grown in a sophisticated, highly intensive agricultural greenhouse facility located in Delta, British Columbia.

On May 30, 2025, the Company closed on the transformative transaction to privatize certain assets and operations of its Produce segment, including its Marfa II and Fort Davis greenhouses, and all of its produce distribution centers, through a series of asset and lease transfers. The Company determined that the assets and operations that had been disposed of met the criteria for discontinued operations presentation. For all periods presented, the operating results associated with the assets disposed of have been reclassified into net income (loss) from discontinued operations, net of income taxes, in the Consolidated Statements of Operations and Comprehensive Income (Loss). The associated assets and liabilities have been reflected as current and long-term assets and

liabilities of discontinued operations in the Consolidated Statements of Financial Position, and the cash flows from the Company's discontinued operations are presented in the Consolidated Statements of Cash Flows for all periods presented. See "Business-Our Produce Segment - Produce Transaction Agreements".

### *Clean Energy Segment*

Our Clean Energy segment is composed of wholly owned subsidiary, VF Clean Energy Inc.

VFCE has partnered with Terreva Renewables (formerly Mas Energy) for the Delta RNG Project based on VFCE's 20-year contract (including a five-year option to extend) with the City of Vancouver to capture landfill gas at the Delta, B.C. landfill site (the "Delta RNG Project"). The Delta RNG Project, which commenced operations in 2024, converts VFCE's landfill gas into high-demand renewable natural gas ("RNG") through a state-of-the-art facility. Terreva Renewables sells the renewable natural gas and VFCE receives a portion of the revenue in the form of a monthly royalty.

### **Legal, Regulatory and Other Macroeconomic and Political Trends**

The future of our business continues to depend on not only the cannabis regulation in Canada but also the current and developing cannabis regulations in other countries, including the EU and UN conventions. In addition, the November 2025 Appropriations Act will effectively recriminalize CBD in the United States which could have a material adverse effect on our U.S. cannabis segment. See "Risk Factors—Legal and Regulatory Risk Factors—The November 2025 Appropriations Act will make most CBD product beginning in November 2026 and will materially affect our U.S. cannabis business if further legal action is not taken". The potential for U.S. federal legalization and/or rescheduling of cannabis, FDA regulation of CBD-derived products and the legal and other jurisdictions where we do business could have a material impact on the Company's current and future operations. See "Risk Factors—Legal and Regulatory Risk Factors—We cannot predict when, if ever, cannabis will be federally legal in the United States and any rescheduling of U.S. Schedule I cannabis to Schedule III would have an uncertain impact on our business".

Our business may also be materially affected by potential U.S./Canadian tariffs and/or other trade restrictions. See "Risk Factors—Industry Risk Factors—We face risks associated with cross-border trade and the potential for tariffs and other trade restrictions" and "Risk Factors—Labor and Employment Risk Factors—Our operations are dependent on labor availability which includes accessing government sponsored foreign labor programs in Canada".

In addition, our business has been affected, and we expect will continue to be affected for the foreseeable future, by inflation rates, and, indirectly, world conflicts (e.g., Russia/Ukraine), which may negatively affect our operating results. Inflation has affected and continues to affect supply chain and labor costs as well as purchasing decisions of consumers, amongst other items, which may impact demand for our products.

### **Recent Developments and Updates**

#### *Canadian Cannabis*

- The Company continues to maintain a top five overall market share position in Canada and held the number one position in dried flower as of February 2026, despite planned reductions in sales of lower-margin SKUs<sup>1</sup> to favor higher-margin opportunities;
- Surpassed the high end of its targeted gross margin range of 30-40%, marking the fourth consecutive quarter meeting or exceeding the target range and contributing to record annual adjusted EBITDA from continuing operations performance;
- Introduced several new and unique packaging innovations to the Canadian market, including the launch of a one-way aroma valve built directly into its dried flower packaging, windowed packaging for its flower products which enables consumers to see product before purchase, and a proprietary built-in matchbox accessory for its pre-roll offerings to meet growing demand for ready-to-enjoy cannabis experiences;
- Named the winner of Business Vancouver's (BIV) 2026 BC Export Awards in the Consumer Products category, recognizing our exceptional performance and contribution to British Columbia's growing international trade economy;
- Published groundbreaking peer-reviewed research in Scientific Reports (Nature Portfolio), highlighting the natural variability of THC potency within cannabis plants, reinforcing a need for a greater focus on product quality versus potency and more transparent and accurate labeling across the industry; and,
- During the fourth quarter, started the expansion of cultivation capacity in the remaining half of its Delta 2 greenhouse to meet increasing demand in Canadian and our international export markets. The expansion is expected to yield an incremental 40 metric tons of annualized cannabis production, expanding capacity by approximately 33% once completed.

1. Based on estimated retail sales from HiFyre, other third parties and provincial boards.

### *International Medical Cannabis (Reported Within Canadian Cannabis)*

- International export sales increased 517% year-over-year, driven by continued strength of demand in Germany and steady performance across other international markets; and
- The Company believes that it remains the largest exporter of medical cannabis to Europe, with three of the top five leading cultivars in Germany and four of the top 10 through our third-party distribution partners<sup>1</sup>.

1. Based on Company estimates and rankings compiled by German outlet Flowzz

### *Netherlands Cannabis*

- Operations in the Company's Phase I facility in Drachten continue at full capacity, with continued strong profitability and operating cash flow generation;
- The Company's products are now represented in 91% of participating coffeeshops, representing increased market penetration sequentially from that of the third quarter;
- The Company continued to advance new product innovation in the Netherlands market and, subsequent to year end, launched 10 new product offerings, including the first regulated blunt in market, as well as infused spliffs, and other pre-roll formats, in the Netherlands. We expect to continue to launch new and innovative products in 2026; and
- Construction of the Company's Phase II facility in Groningen is nearing completion with the facility expected to be operational in the second quarter of 2026. When fully operational, the Phase II facility is expected to quintuple total annualized production to approximately 10,000 kilograms.

### *U.S. Cannabis*

- The Company believes we are poised to benefit from President Trump's Executive Order to reschedule marijuana, which, if enacted, would represent a consequential step in modernizing U.S. cannabis policy and support the development of a regulatory framework more aligned with international drug policies.
- The Company's application for a Texas medicinal marijuana license remains under review by the Department of Public Services ("DPS"). In December 2025, nine new provisional licenses were awarded, of which we were not a recipient, however, DPS is required to award a minimum of three new awards on or before April 1, 2026. If awarded a license, the Company plans to work with its listing authority to structure an acceptable ownership structure and comply with all applicable regulatory requirements, which are still pending in Texas.

### *Corporate*

- Brian Stevenson was appointed to the newly created role of Global Chief Strategy Officer, in which he is leading our enterprise-wide strategic agenda, including long-term growth strategy, global market assessment, and integration initiatives across regions and business units.
- Brian Ellis was appointed to the newly created role of Chief Information and Technology Officer (CITO), in which he is overseeing our enterprise architecture and IT strategy as we continue executing our global growth strategy and transformation initiatives.
- On September 29, 2025, the Company's Board of Directors unanimously approved a US\$10 million share repurchase authorization for up to 5,687,000 common shares (five percent of the Company's issued and outstanding common shares at the date of announcement). During the fourth quarter of 2025, the Company repurchased 812,923 shares at a cost of \$3 million and subsequent to year end 2025 continued to repurchase shares.

### **Presentation of Financial Results**

Our consolidated results of operations for each of the three years ended December 31, 2025, 2024 and 2023 presented below reflect the operations of our consolidated wholly owned subsidiaries, our 70% ownership interest in Rose LifeScience through March 31, 2024, our 80% ownership interest in Rose LifeScience beginning on April 1, 2024, our 85% ownership interest in Leli through September 22, 2024, and our 100% ownership interest in Leli beginning on September 23, 2024.

## Foreign Currency Exchange Rates

All currency amounts in this Annual Report are stated in U.S. dollars, which is our reporting currency, unless otherwise noted. All references to “dollars” or “\$” are to U.S. dollars. The assets and liabilities of our foreign operations are translated into dollars at the exchange rate in effect as of December 31, 2025, December 31, 2024, and December 31, 2023. Transactions affecting the shareholders’ equity are translated at historical foreign exchange rates. The consolidated statements of operations and comprehensive income (loss) and consolidated statements of cash flows of our foreign operations are translated into dollars by applying the average foreign exchange rate in effect for the reporting period.

The exchange rates used to translate from Canadian dollars to U.S. dollars is shown below:

	As of December 31,		
	2025	2024	2023
Spot rate	0.7294	0.6957	0.7543
For the year ended	0.7156	0.7301	0.7410

## Results of Operations

### Consolidated Financial Performance

(In thousands of U.S. dollars, except per share amounts)

	For the Year Ended December 31,		
	2025	2024	2023
Sales	\$ 215,937	\$ 195,907	\$ 163,109
Cost of sales	(128,255)	(150,106)	(115,157)
Gross margin	87,682	45,801	47,952
Selling, general and administrative expenses	(60,293)	(61,748)	(56,714)
Interest expense	(2,704)	(3,365)	(4,495)
Interest income	1,163	914	1,018
Foreign exchange (loss) gain	1,555	(2,843)	602
Other income (expense)	4,173	4,015	32
Goodwill and intangible asset impairments	—	(11,939)	(14,020)
Other impairments	(217)	(439)	—
Income (loss) before taxes and loss from equity method investments	31,359	(29,604)	(25,625)
(Provision for) recovery of income taxes	(10,371)	1,662	(7,451)
Loss from equity method investments	—	—	—
Income (loss) from continuing operations	20,988	(27,942)	(33,076)
Income (loss) from discontinued operations, net of tax	11,117	(7,702)	(1,743)
Income (loss) including non-controlling interests and before equity losses	32,105	(35,644)	(34,819)
Less: net (income) loss attributable to non-controlling interests, net of tax <sup>(1)</sup>	336	(207)	21
Net income (loss) attributable to Village Farms International, Inc. shareholders	\$ 32,441	\$ (35,851)	\$ (34,798)
Adjusted EBITDA from continuing operations <sup>(2)</sup>	\$ 49,852	\$ 7,374	\$ 7,478
Continuing operations	\$ 0.19	\$ (0.25)	\$ (0.30)
Discontinued operations	0.10	(0.07)	(0.02)
Basic income (loss) per share attributable to Village Farms International, Inc. shareholders	\$ 0.29	\$ (0.32)	\$ (0.32)
Continuing operations	\$ 0.18	\$ (0.25)	\$ (0.30)
Discontinued operations	0.09	(0.07)	(0.02)
Diluted income (loss) per share attributable to Village Farms International, Inc. shareholders	\$ 0.27	\$ (0.32)	\$ (0.32)

- (1) For the years ended December 31, 2025, 2024 and 2023 Rose LifeScience’s financial results are fully consolidated in the financial results of the Company with the non-controlling interest presented in net loss attributable to non-controlling interests, net of tax. For the years ended December 31, 2025, 2024 and 2023, Leli’s financial results are fully consolidated in the financial results of the Company with the non-controlling interest presented in net loss attributable to non-controlling interests, net of tax.

- (2) Adjusted EBITDA from continuing operations is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA from continuing operations may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA from continuing operations is a useful supplemental measure in evaluating the performance of the Company because it excludes non-recurring and other items that do not reflect our business performance. Adjusted EBITDA from continuing operations includes the Company's 70% interest in Rose LifeScience through March 31, 2024, 80% interest in Rose LifeScience beginning on April 1, 2024, 85% interest in Leli through September 22, 2024, and our 100% interest in Leli beginning on September 23, 2024.

We caution that our results of operations for the years ended December 31, 2025, 2024 and 2023 may not be indicative of our future performance.

## Discussion of Financial Results

A discussion of our consolidated results for the years ended December 31, 2025, 2024 and 2023 is included below. The consolidated results include all five of our operating segments, Produce, Cannabis-Canada, Cannabis-U.S., Energy, and Leli, along with all public company expenses. For a discussion of our segmented results, please see "Segmented Results of Operations" below

## CONSOLIDATED RESULTS

### Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

#### Sales

Sales for the year ended December 31, 2025 increased \$20,030, or approximately 10%, to \$215,937 from \$195,907 for the year ended December 31, 2024. The increase in sales was primarily attributable to an increase in Canadian Cannabis sales of \$14,854 and first year sales of Cannabis Netherlands of \$9,858, partially offset by a decrease in Produce sales of \$2,614 and a decrease in Cannabis U.S. sales of \$2,951. For additional information, refer to "Segmented Results of Operations" below.

#### Cost of Sales

Cost of sales for the year ended December 31, 2025 decreased \$21,851, or 15%, to \$128,255 from \$150,106 for the year ended December 31, 2024. The decrease in cost of sales was due primarily to a decrease in Canadian Cannabis cost of sales of \$26,000, partially offset by first year cost of sales from Cannabis Netherlands of \$4,955. For additional information, refer to "Segmented Results of Operations" below.

#### Gross Profit

Gross profit for the year ended December 31, 2025 increased \$41,881, or 91%, to \$87,682 from \$45,801 for the year ended December 31, 2024. The increase in gross profit was primarily attributable to an increase in gross margin at Canadian Cannabis of \$40,854 and first year margin contribution from Cannabis Netherlands of \$4,903, partially offset by a decrease in US Cannabis of \$2,012 and Produce of \$2,602. For additional information, refer to "Segmented Results of Operations" below.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2025 decreased \$1,455 to \$60,293, or 28% of sales, from \$61,748, or 32% of sales, for the year ended December 31, 2024. The decrease in selling, general and administrative expenses was due primarily to a decrease in share-based compensation of approximately \$2,006. For additional information, refer to "Segmented Results of Operations" below.

	For the Year Ended December 31,	
	2025	2024
Selling, general and administrative expenses	\$ 58,552	\$ 58,001
Share-based compensation	1,741	3,747
<b>Total selling, general and administrative expenses</b>	<b>\$ 60,293</b>	<b>\$ 61,748</b>

#### Interest Expense

Interest expense for the year ended December 31, 2025 decreased \$661 to \$2,704 from \$3,365 for the year ended December 31, 2024. The decrease was due to a lower overall borrowing base and a decrease in interest rates on its various debt instruments.

#### Interest Income

Interest income for the years ended December 31, 2025 and 2024 was \$1,163 and \$914, respectively.

#### Other Income

Other income for the year ended December 31, 2025 was \$4,173 as compared to \$4,015 for the year ended December 31, 2024. Other income is primarily attributable to favorable vendor settlements relating to the partial recovery of operational losses from the Tomato Brown Rugose Fruit Virus (“ToBRFV”) infestation.

### **Goodwill and Intangible Asset Impairments**

Goodwill and intangible assets impairments for the year ended December 31, 2025 was \$0 compared to \$11,939 for the year ended December 31, 2024. The 2024 impairment was primarily related to the Cannabis U.S. reporting unit's lower financial performance due to new restrictions on CBD sales in an additional eight states beginning July 1, 2024, as well as the continued proliferation of unregulated hemp-derived products in the United States which continues to challenge market share for the compliant GMP based CBD companies.

### **Income (Loss) Before Taxes and Income (Loss) from Equity Method Investments**

Income before taxes and loss from equity method investments for the year ended December 31, 2025 was \$31,359 compared to a loss before taxes and loss from equity method investments of \$29,604 for the year ended December 31, 2024, an increase of \$60,963. The change was primarily due to an increase in gross margin of \$41,881, a decrease in selling general and administrative expenses of \$1,455, and the unfavorable impact of the impairment in 2024 of \$11,939.

### **(Provision for) Recovery of Income Taxes**

The provision for income taxes for the year ended December 31, 2025 was \$10,371 compared to a recovery of income taxes of \$1,662 for the year ended December 31, 2024. For the twelve months ended December 31, 2025, our effective tax rate, including both current and deferred income taxes was 33.1%.

### **Income (Loss) from Discontinued Operations**

Income from discontinued operations for the year ended December 31, 2025 was \$11,117, compared to a loss from discontinued operations of \$7,702 for the year ended December 31, 2024. For the year ended December 31, 2025, discontinued operations consisted of loss from discontinued operations, net of tax, of \$8,686, offset by a gain on sale of assets, net of tax, of \$19,985. For the year ended December 31, 2024, discontinued operations consisted of a loss from operations, net of tax, of \$7,702.

### **Net Loss (Income) Attributable to Non-controlling Interests, Net of Tax**

For the year ended December 31, 2025, the add back for net loss attributable to non-controlling interests, net of tax was \$336 compared to net income of \$207 for the year ended December 31, 2024.

### **Net Income (Loss) Attributable to Village Farms International, Inc. Shareholders**

Net income attributable to Village Farms International, Inc. shareholders for the year ended December 31, 2025 was \$32,441 as compared to a loss of \$35,851 for the year ended December 31, 2024, an increase of \$68,292.

### **Adjusted EBITDA from continuing operations**

Adjusted EBITDA from continuing operations for the year ended December 31, 2025 increased by \$42,478 to \$49,852 from \$7,374 for the year ended December 31, 2024. The increase was primarily due to an increase in Adjusted EBITDA from continuing operations of Canadian Cannabis of \$40,341, as well as increases from Cannabis Netherlands of \$3,558, Clean Energy of \$542, and Cannabis U.S. of \$384, which were partially offset by decreases in Produce of \$1,076 and and corporate costs of \$1,271. See the reconciliation of Adjusted EBITDA from continuing operations to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA from continuing operations”.

### ***Year Ended December 31, 2024 Compared to Year Ended December 31, 2023***

#### **Sales**

Sales for the year ended December 31, 2024 increased \$32,798, or 20%, to \$195,907 compared to \$163,109 for the year ended December 31, 2023. The increase in sales was primarily attributable to an increase in Canadian Cannabis sales of \$34,826, partially offset by a decrease in U.S. Cannabis sales of \$2,940. For additional information, refer to "Segmented Results of Operations" below.

#### **Cost of Sales**

Cost of sales for the year ended December 31, 2024 increased \$34,949, or 30%, to \$150,106 from \$115,157 for the year ended December 31, 2023. The increase in cost of sales is due primarily to an increase in Canadian Cannabis cost of sales of \$40,082, partially offset by a decrease in Produce cost of sales of \$4,594, as well as a decrease in U.S. Cannabis cost of sales of \$647. For additional information, refer to "Segmented Results of Operations" below.

## Gross Profit

Gross profit for the year ended December 31, 2024 decreased \$2,151, or 4%, to \$45,801 from \$47,952 for the year ended December 31, 2023. The decrease was primarily attributable to a decrease in gross profit at Canadian Cannabis of \$5,256 resulting from the non-cash inventory impairment in the fourth quarter of \$10,436 (C\$15,000), and a decrease in US Cannabis of \$2,293, partially offset by an increase in gross margin at Produce of \$4,754. For additional information, refer to "Segmented Results of Operations" below.

## Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2024 increased \$5,034, or 9%, to \$61,748 or 32% of sales from \$56,714 or 35% of sales for the year ended December 31, 2023. The increase in selling, general and administrative expenses was due to an increase in operating expenses of \$4,398, driven by higher commercial and marketing expenses at Canadian Cannabis, and an increase in share-based compensation of approximately \$636. For additional information, refer to "Segmented Results of Operations" below.

	For the Year Ended December 31,	
	2024	2023
Selling, general and administrative expenses	\$ 58,001	\$ 53,603
Share-based compensation	3,747	3,111
<b>Total selling, general and administrative expenses</b>	<b>\$ 61,748</b>	<b>\$ 56,714</b>

## Interest Expense

Interest expense for the year ended December 31, 2024 decreased \$1,130 to \$3,365 from \$4,495 for the year ended December 31, 2023. The decrease was due to a decrease in the overall borrowing base and a decrease in the Company's interest rates on its debt instruments.

## Interest Income

Interest income for the years ended December 31, 2024 and 2023 was \$914 and \$1,018, respectively.

## Other Income (Expense)

Other income for the year ended December 31, 2024 was \$4,015 as compared to \$32 for the year ended December 31, 2023. The increase in other income (expense) was primarily attributable to a favorable vendor settlement relating to the partial recovery of operational losses from the Tomato Brown Rugose Fruit Virus ("ToBRFV").

## Goodwill and Intangible Asset Impairments

Goodwill and intangible assets impairments for the year ended December 31, 2024 were \$11,939 compared to \$14,020 for the year ended December 31, 2023. The impairments were primarily related to the U.S. Cannabis reporting unit as a result of continued lower sales performance during 2024 and 2023 due to ongoing evolving restrictions on CBD sales in states and the proliferation of unregulated hemp-derived products throughout the United States CBD market.

## Loss Before Taxes and Loss from Equity Method Investments

Loss before taxes and loss from equity method investments for the year ended December 31, 2024 was \$29,604 compared to \$25,625 for the year ended December 31, 2023. The increase of \$3,979 was primarily due to a decrease in gross margin of \$2,151, an increase in selling general and administrative expenses of \$5,034, partially offset by a favorable vendor settlement relating to the partial recovery of operational losses from the Tomato Brown Rugose Fruit Virus ("ToBRFV").

## (Provision for) Recovery of Income Taxes

The recovery for income taxes for the year ended December 31, 2024 was \$1,662, compared with a provision for income tax of \$7,451 for the year ended December 31, 2023. For the twelve months ended December 31, 2024, our effective tax rate, including both current and deferred income taxes, was (4.5%), which includes a change in valuation allowance against our deferred tax assets of \$6,031.

## (Loss) Income from Discontinued Operations, Net of Tax

Loss from discontinued operations for the year ended December 31, 2024 was \$7,702, compared to income from discontinued operations of \$1,743 for the year ended December 31, 2023. The change of \$5,959 is primarily attributable to favorable vendor settlements relating to the partial recovery of operational losses from the Tomato Brown Rugose Fruit Virus ("ToBRFV") infestation during the year ended December 31, 2023.

## Net Income (Loss) Attributable to Non-controlling Interests, Net of Tax

For the year ended December 31, 2024, the add back for net income attributable to non-controlling interests, net of tax was \$207 compared to a net loss of \$21 for the year ended December 31, 2023.

## Net Loss Attributable to Village Farms International, Inc. Shareholders

Net loss attributable to Village Farms International, Inc. shareholders for the year ended December 31, 2024 was \$35,851 as compared to \$34,798 for the year ended December 31, 2023.

## Adjusted EBITDA from continuing operations

Adjusted EBITDA from continuing operations for the year ended December 31, 2024 decreased \$104, so essentially flat, to \$7,374 from \$7,478 for the year ended December 31, 2023. The decrease was primarily due to a decrease in Adjusted EBITDA from continuing operations of Canadian Cannabis of \$7,482 resulting from the non-cash inventory impairment in the fourth quarter of \$10,436 (C\$15,000), and a decrease in U.S. Cannabis of \$1,533, essentially offset by an improvement in Produce of \$7,343, Clean Energy of \$957 and corporate overheads of \$713. See the reconciliation of Adjusted EBITDA from continuing operations to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA from continuing operations”.

## SEGMENTED RESULTS OF OPERATIONS

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

	For the Year Ended December 31, 2025						Total
	Produce	Cannabis Canada (1)	Cannabis U.S.	Clean Energy	Cannabi s Netherla nds	Corporate	
Sales	\$ 26,295	\$ 163,710	\$ 14,439	\$ 1,635	\$ 9,858	\$ —	\$ 215,937
Cost of sales	(25,438)	(92,172)	(5,416)	(274)	(4,955)	—	(128,255)
Selling, general and administrative expenses	(2,792)	(34,872)	(9,585)	(48)	(2,849)	(10,147)	(60,293)
Other income (expense), net	3,232	(1,063)	(3)	—	(108)	2,129	4,187
Other impairments	—	—	(217)	—	—	—	(217)
Income (loss) before taxes and loss from equity method investments	1,297	35,603	(782)	1,313	1,946	(8,018)	31,359
Provision for income taxes	(57)	(9,362)	—	(286)	(666)	—	(10,371)
Equity method investment income, net of tax	—	—	—	—	—	—	—
Income (loss) from continuing operations	1,240	26,241	(782)	1,027	1,280	(8,018)	20,988
Income from discontinued operations, net of tax	11,117	—	—	—	—	—	11,117
Income (loss) including non-controlling interests	12,357	26,241	(782)	1,027	1,280	(8,018)	32,105
Less: net income attributable to non-controlling interests, net of tax	—	336	—	—	—	—	336
Net income (loss)	\$ 12,357	\$ 26,577	\$ (782)	\$ 1,027	\$ 1,280	\$ (8,018)	\$ 32,441
Adjusted EBITDA from continuing operations <sup>(2)</sup>	\$ 6,666	\$ 47,623	\$ (288)	\$ 1,313	\$ 3,299	\$ (8,761)	\$ 49,852
Basic income (loss) per share from continuing operations	\$ 0.01	\$ 0.23	\$ —	\$ 0.01	\$ 0.01	\$ (0.07)	\$ 0.19
Basic income per share from discontinued operations	0.10	-	-	-	-	-	0.10
Basic income (loss) per share	\$ 0.11	\$ 0.23	\$ —	\$ 0.01	\$ 0.01	\$ (0.07)	\$ 0.29
Diluted income (loss) per share from continuing operations	\$ 0.01	\$ 0.22	\$ —	\$ 0.01	\$ 0.01	\$ (0.07)	\$ 0.18
Diluted income per share from discontinued operations	0.09	-	-	-	-	-	0.09
Diluted income (loss) per share	\$ 0.10	\$ 0.22	\$ —	\$ 0.01	\$ 0.01	\$ (0.07)	\$ 0.27

**For the Year Ended December 31, 2024**

	<b>Produce</b>	<b>Cannabi s Canada (1)</b>	<b>Cannabi s U.S.</b>	<b>Clean Energy</b>	<b>Cannabi s Netherla nds (1)</b>	<b>Corpora te</b>	<b>Total</b>
Sales	\$ 28,909	\$ 148,856	\$ 17,390	\$ 752	\$ —	\$ —	\$ 195,907
Cost of sales	(25,450)	(118,172)	(6,355)	(129)	—	—	(150,106)
Selling, general and administrative expenses	(2,949)	(34,028)	(11,990)	(38)	(1,555)	(11,188)	(61,748)
Other income (expense), net	1,408	(1,007)	0	170	—	(1,850)	(1,279)
Goodwill and intangible impairments	—	—	(11,939)	—	—	—	(11,939)
Other impairments	—	—	(439)	—	—	—	(439)
Income (loss) before taxes and loss from equity method investments	1,918	(4,351)	(13,333)	755	(1,555)	(13,038)	(29,604)
('Provision for) recovery of income taxes	(100)	1,537	—	—	391	(166)	1,662
Equity method investment income, net of tax	—	—	—	—	—	—	—
Income (loss) from continuing operations	1,818	(2,814)	(13,333)	755	(1,164)	(13,204)	(27,942)
Loss from discontinued operations, net of tax	(7,702)	—	—	—	—	—	(7,702)
Income (loss) including non-controlling interests	(5,884)	(2,814)	(13,333)	755	(1,164)	(13,204)	(35,644)
Less: net (income) loss attributable to non-controlling interests, net of tax	—	(367)	—	—	160	—	(207)
Net (loss) income	<u>\$ (5,884)</u>	<u>\$ (3,181)</u>	<u>\$ (13,333)</u>	<u>\$ 755</u>	<u>\$ (1,004)</u>	<u>\$ (13,204)</u>	<u>\$ (35,851)</u>
Adjusted EBITDA from continuing operations <sup>(2)</sup>	<u>\$ 7,742</u>	<u>\$ 7,282</u>	<u>\$ (672)</u>	<u>\$ 771</u>	<u>\$ (259)</u>	<u>\$ (7,490)</u>	<u>\$ 7,374</u>
Basic income (loss) per share from continuing operations	\$ 0.02	\$ (0.03)	\$ (0.12)	\$ 0.01	\$ (0.01)	\$ (0.12)	\$ (0.25)
Basic loss per share from discontinued operations	(0.07)	-	-	-	-	-	(0.07)
Basic loss per share	<u>\$ (0.05)</u>	<u>\$ (0.03)</u>	<u>\$ (0.12)</u>	<u>\$ 0.01</u>	<u>\$ (0.01)</u>	<u>\$ (0.12)</u>	<u>\$ (0.32)</u>
Diluted income (loss) per share from continuing operations	\$ 0.02	\$ (0.03)	\$ (0.12)	\$ 0.01	\$ (0.01)	\$ (0.12)	\$ (0.25)
Diluted loss per share from discontinued operations	(0.07)	(0.00)	-	-	0.00	-	(0.07)
Diluted loss per share	<u>\$ (0.05)</u>	<u>\$ (0.03)</u>	<u>\$ (0.12)</u>	<u>\$ 0.01</u>	<u>\$ (0.01)</u>	<u>\$ (0.12)</u>	<u>\$ (0.32)</u>

**For the Year Ended December 31, 2023**

	Produce	Cannabis Canada ( <sup>1</sup> )	Cannabis U.S.	Clean Energy	Cannabis Netherla nds ( <sup>1</sup> )	Corporat e	Total
Sales	\$ 28,749	\$ 114,030	\$ 20,330	\$ —	\$ —	\$ —	163,109
Cost of sales	(30,044)	(78,090)	(7,002)	(21)	—	—	(115,157)
Selling, general and administrative expenses	(1,838)	(29,275)	(13,118)	(32)	(1,265)	(11,186)	(56,714)
Other (expense) income, net	(2,075)	(2,136)	(18)	(133)	—	1,519	(2,843)
Goodwill and intangible asset impairments	—	—	(14,020)	—	—	—	(14,020)
Loss (income) before taxes and equity method investment income	(5,208)	4,529	(13,828)	(186)	(1,265)	(9,667)	(25,625)
(Provision for) recovery of income taxes	(4,284)	(1,431)	—	—	48	(1,784)	(7,451)
Equity method investment income, net of tax	—	—	—	—	—	—	—
Loss (income) from continuing operations	(9,492)	3,098	(13,828)	(186)	(1,217)	(11,451)	(33,076)
Loss from discontinued operations net of tax	(1,743)	—	—	—	—	—	(1,743)
(Loss) income including non-controlling interests	(11,235)	3,098	(13,828)	(186)	(1,217)	(11,451)	(34,819)
Less: net loss (income) attributable to non-controlling interests, net of tax	—	(162)	—	—	183	—	21
Net (loss) income	<u>\$ (11,235)</u>	<u>\$ 2,936</u>	<u>\$ (13,828)</u>	<u>\$ (186)</u>	<u>\$ (1,034)</u>	<u>\$ (11,451)</u>	<u>\$ (8,349)</u>
Adjusted EBITDA from continuing operations <sup>(2)</sup>	<u>\$ 399</u>	<u>\$ 14,764</u>	<u>\$ 861</u>	<u>\$ (186)</u>	<u>\$ (157)</u>	<u>\$ (8,203)</u>	<u>\$ 7,478</u>
Basic (loss) income per share from continuing operations	\$ (0.09)	\$ 0.03	\$ (0.13)	\$ (0.00)	\$ (0.01)	\$ (0.10)	\$ (0.30)
Basic loss per share from discontinued operations	(0.02)	-	-	-	-	-	(0.02)
Basic (loss) income per share	<u>\$ (0.10)</u>	<u>\$ 0.03</u>	<u>\$ (0.15)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.09)</u>	<u>\$ (0.32)</u>
Diluted (loss) income per share from continuing operations	\$ (0.09)	\$ 0.03	\$ (0.13)	\$ (0.00)	\$ (0.01)	\$ (0.10)	\$ (0.30)
Diluted loss per share from discontinued operations	(0.02)	-	-	-	-	-	(0.02)
Diluted (loss) income per share	<u>\$ (0.10)</u>	<u>\$ 0.03</u>	<u>\$ (0.15)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.09)</u>	<u>\$ (0.32)</u>

- (1) For the years ended December 31, 2025, 2024, and 2023, Rose LifeScience's financial results are fully consolidated in the financial results of the Company with the non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax. For the years ended December 31, 2025, 2024 and 2023, Leli's financial results are fully consolidated in the financial results of the Company with the minority non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax.
- (2) Adjusted EBITDA from continuing operations is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA from continuing operations may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA from continuing operations is a useful supplemental measure in evaluating the performance of the Company because it excludes non-recurring and other items that do not reflect our business performance. Adjusted EBITDA from continuing operations includes the Company's 70% interest in Rose LifeScience through March 31, 2024, 80% interest in Rose LifeScience beginning on April 1, 2024, 85% interest in Leli through September 22, 2024, and our 100% interest in Leli beginning on September 23, 2024.

**CANADIAN CANNABIS SEGMENT RESULTS**

The Cannabis Canada segment consists of Pure Sunfarms and Rose LifeScience. The comparative analysis for Canadian Cannabis is based on the consolidated results of Pure Sunfarms and Rose LifeScience for the years ended December 31, 2025, 2024, and 2023. The Rose LifeScience minority interest is presented in Net Loss Attributable to Non-controlling Interests, Net of Tax.

### ***Year Ended December 31, 2025 Compared to Year Ended December 31, 2024***

#### **Sales**

Canadian Cannabis net sales for the years ended December 31, 2025 increased by \$14,854, or 10%, to \$163,710 from \$148,856, for the year ended December 31, 2024. The increase in sales was due to an increase in international sales of \$31,756, or 517%, primarily due to strength in export volumes to Europe, partially offset by a decrease in branded sales of 12% and a decrease in non-branded sales of 14%.

Canadian Cannabis continues to pay a burdensome excise tax on its branded sales (sales to provincial distributors). For the year ended December 31, 2025, the Company incurred excise duties of \$59,950 (C\$83,744), or 38% of gross branded sales, compared to \$71,953 (C\$98,442), or 39% of gross branded sales, for the year ended December 31, 2024. The decrease of \$12,003 (C\$14,698), or 17%, was due to a decrease in kilograms sold in the branded channel and the impact of exchange rate fluctuations. The Canadian excise duty is our single largest cost of participating in the branded adult-use market in Canada.

For the year ended December 31, 2025, 60% of net sales were generated from branded flower, pre-rolls and cannabis derivative products compared to 75% for the year ended December 31, 2024. Non-branded, international, and other sales accounted for 40% of Canadian Cannabis net sales for the year ended December 31, 2025, as compared to 25% for the year ended December 31, 2024.

The net average selling price of branded flower and pre-roll formats increased in 2025 compared to 2024 due to a planned mix shift toward higher market brands. Excluding pre-roll formats, the average net selling price of branded flower increased by 2% for the year ended December 31, 2025. The net average selling price of bulk non-branded flower increased by 2%. The net average selling price of international sales decreased by 11% due to a shift in product mix in favor of bulk flower over packaged flower.

The following table presents sales by Canadian Cannabis revenue stream, together with the impact of excise tax, in U. S. dollars and Canadian dollars, for the years ended December 31, 2025 and 2024:

(in thousands of U.S. dollars)	<b>For The Year Ended</b>	
	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Branded sales	\$ 158,881	\$ 183,904
International sales	37,893	6,137
Non-branded sales	24,857	28,827
Other	2,029	1,941
Less: excise taxes	(59,950)	(71,953)
<b>Net Sales</b>	<b>\$ 163,710</b>	<b>\$ 148,856</b>

(in thousands of Canadian dollars)	<b>For The Year Ended</b>	
	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Branded sales	\$ 221,907	\$ 251,708
International sales	52,730	8,417
Non-branded sales	34,506	39,625
Other	2,831	2,665
Less: excise taxes	(83,744)	(98,442)
<b>Net Sales</b>	<b>\$ 228,230</b>	<b>\$ 203,973</b>

#### **Cost of Sales**

Cost of sales for the year ended December 31, 2025 decreased \$26,000, or 22%, to \$92,172 from \$118,172 for the year ended December 31, 2024. The decrease was primarily due to a decrease in volume (kilograms) packaged and sold of our branded and non-branded products and a shift in international sales mix in favor of bulk flower, which has a lower average cost per gram, over other packaged products. The year ended 2024 also had an unfavorable, non-cash, inventory impairment relative to its net realizable value of \$10,436 (C\$15,000), resulting from older manufactured inventory products which required incremental rework costs that were higher than the resell value of the finished goods.

#### **Gross Profit**

Gross profit for the year ended December 31, 2025 increased \$40,854, or 133%, to \$71,538 from \$30,684 for the year ended December 31, 2024. Gross profit as a percentage of net sales for the periods ended December 31, 2025 increased to 44% from 21%,

for the year ended December 31, 2024. The increase was due to higher sales volume of bulk flower in international sales, higher sales of trim, and the non-cash inventory impairment during the year ended December 31, 2024 of \$10,436 (C\$15,000).

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

Selling, general and administrative expenses for the year ended December 31, 2025 increased \$844, or 2%, to \$34,872, or 21% of net sales, from \$34,028, or 23% of net sales, for the year ended December 31, 2024. The increase was primarily due to higher commercial and marketing expenses and incremental integration costs.

### **Other Expense, Net**

Other expense, net was \$1,063 for the year ended December 31, 2025 compared to \$1,007 for the year ended December 31, 2024.

### **Net Income (Loss)**

Net income for the year ended December 31, 2025 was \$26,577 compared to a net loss of (\$3,181) for the year ended December 31, 2024. The increase was primarily due to improved gross margin in 2025 and the impact of the 2024 inventory write down of \$10,436 (C\$15,000) on our 2024 results, partially offset by an increase in the tax provision expense of \$10,899 and an increase in selling, general and administrative expenses.

### **Adjusted EBITDA from continuing operations**

Adjusted EBITDA from continuing operations was \$47,623 for the year ended December 31, 2025 and \$7,282 for the year ended December 31, 2024. The increase of \$40,341, or 554%, between periods was primarily due to the improved margins and the inventory impairment charge of \$10,436 (C\$15,000) during the year ended December 31, 2024. See the reconciliation of Adjusted EBITDA from continuing operations to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA from continuing operations”.

### ***Year Ended December 31, 2024 Compared to Year Ended December 31, 2023***

#### **Sales**

Canadian cannabis net sales for the year ended December 31, 2024 increased by \$34,826, or 31%, to \$148,856 from \$114,030, for the year ended December 31, 2023. The increase in sales was due to a 26% increase in branded sales, an 86% increase in non-branded sales, and a 33% increase in international sales, partially offset by an unfavorable impact of exchange rate fluctuations. The increase in branded sales was due to market share gain across the flower, pre-roll and milled categories, driven by high quality cultivation and new product launches. The increase in non-branded sales resulted from improved industry supply conditions and pricing supported by a shift of many producers toward asset light models, as well as sales of non-brand-spec inventory.

Canadian Cannabis continues to pay a burdensome excise tax on its branded sales (sales to provincial distributors). For the year ended December 31, 2024, the Company incurred excise tax of \$71,953 (C\$98,442) versus \$58,015 (C\$78,315) for the year ended December 31, 2023. The increase of \$13,938 (C\$20,127), or 24%, in excise taxes was due to an increase in kilograms sold in the branded channel. The Canadian excise tax is our single largest cost of participating in the adult-use (branded) market in Canada.

For the year ended December 31, 2024, 75% of Canadian Cannabis net sales was generated from branded flower, pre-roll, and cannabis derivative products, net of excise tax. For the year ended December 31, 2023, 80% of Canadian Cannabis net sales was generated from branded flower, pre-roll sales and cannabis derivative products, net of excise tax. Non-branded accounted for 19% and international accounted 4% of Canadian Cannabis net sales in 2024, as compared to non-branded of 14% and international of 4% in 2023. The increase in non-branded sales was driven by increased demand for bulk flower products.

The net average selling price of branded flower and pre-roll formats decreased in 2024 compared to 2023. Excluding pre-roll formats, the average net selling price of branded flower decreased by (2%) in 2024 due to a higher ratio of sales for our value brand Fraser Valley Weed Co and our milled and pre roll branded products. The net average selling price of bulk non-branded flower and trim increased by 45% in 2024 largely due to an increase in bulk flower, which are sold at a higher selling price, and higher demand for lower specification biomass which led to increased volumes and prices.

The following table presents sales by Canadian Cannabis revenue stream, together with the impact of excise tax, in U. S. dollars and Canadian dollars, for the years ended December 31, 2024 and 2023:

(in thousands of U.S. dollars)	For The Year Ended	
	December 31, 2024	December 31, 2023
Branded sales	\$ 183,904	\$ 149,929
International sales	6,137	4,600
Non-branded sales	28,827	15,457
Other	1,941	2,059
Less: excise taxes	(71,953)	(58,015)
<b>Net Sales</b>	<b>\$ 148,856</b>	<b>\$ 114,030</b>

(in thousands of Canadian dollars)	For The Year Ended	
	December 31, 2024	December 31, 2023
Branded sales	\$ 251,708	\$ 202,367
International sales	8,417	6,208
Non-branded sales	39,625	20,967
Other	2,665	2,778
Less: excise taxes	(98,442)	(78,315)
<b>Net Sales</b>	<b>\$ 203,973</b>	<b>\$ 154,005</b>

### Cost of Sales

Cost of sales for the years ended December 31, 2024 increased \$40,082, or 51%, to \$118,172 from \$78,090 for the year ended December 31, 2023, primarily due to an increase in volume (kilograms) packaged and sold of branded products, as well as the non-cash inventory impairment relative to its net realizable value of \$10,436 (C\$15,000) for the year ended December 31, 2024, resulting from older manufactured inventory products which required incremental rework costs that were higher than the resell value of the finished goods, so it was concluded to write off this inventory rather than to continue incurring incremental costs to sell it.

### Gross Margin

Gross margin for the year ended December 31, 2024 decreased \$5,256, or 15%, to \$30,684 from \$35,940 for the year ended December 31, 2023. Gross margin as a percentage of net sales for the periods ended December 31, 2024 and 2023 was 21% and 32%, respectively, the lower 2024 gross margin was primarily due to the non-cash inventory impairment in the fourth quarter of \$10,436 (C\$15,000). Excluding the inventory write down, gross margin as a percentage of net sales for the period ended December 31, 2024 was 28% compared to 32% for the year ended December 31, 2023

### Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2024 increased \$4,753, or 16%, to \$34,028, or 23% of net sales, from \$29,275, or 26% of net sales, for the year ended December 31, 2023. The increase in selling, general and administrative expenses was primarily due to higher commercial and marketing expenses, which has helped drive increases in branded sales.

### Other (Expense) Income, net

Other expense, net was \$1,007 for the year ended December 31, 2024 compared to \$2,136 for the year ended December 31, 2023, the decrease of \$1,129 was due primarily to lower interest expense.

### Net Income (Loss)

Net loss for the year ended December 31, 2024 was \$3,181 compared to net income of \$2,936 for the year ended December 31, 2023. The change is primarily due to the inventory write down of \$10,436 (C\$15,000). Excluding the inventory write down, net income for the year ended December 31, 2024 was \$7,255. The improvement was due primarily to increased sales, partially offset by a lower margin, higher selling, general and administrative costs, and decrease in tax provision of \$2,968 when compared to the prior year.

### Adjusted EBITDA from continuing operations

Adjusted EBITDA from continuing operations was \$7,282 for the year ended December 31, 2024 and \$14,764 for the year ended December 31, 2023. The decrease of \$7,482, or 51%, between periods was due to an inventory impairment charge of \$10,436 (C\$15,000) during the year ended December 31, 2024. Excluding the inventory write down, Adjusted EBITDA from continuing operations was \$17,718, an increase of 20% compared to the year ended December 31, 2023. See the reconciliation of Adjusted

EBITDA from continuing operations to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA from continuing operations”.

## **U. S. CANNABIS SEGMENT RESULTS**

The U.S. Cannabis segment is composed of Balanced Health.

### ***Year Ended December 31, 2025 Compared to Year Ended December 31, 2024***

#### **Sales**

U.S. Cannabis net sales for the year ended December 31, 2025 decreased \$2,951, or 17%, to \$14,439, from \$17,390 for the year ended December 31, 2024. The decrease was primarily due to new restrictions on sales in an additional eight states beginning July 1, 2024 and lower direct-to-consumer sales resulting from the proliferation of unregulated hemp-derived products on the market. All U.S. Cannabis sales were generated in the United States, with gross sales composed of 94% e-commerce sales and 6% retail sales.

#### **Cost of Sales**

U.S. Cannabis cost of sales for the year ended December 31, 2025 decreased \$939, or 15%, to \$5,416 from \$6,355 for the year ended December 31, 2024. The decrease was primarily due to lower sales, as well as cost efficiencies from the internalization of gummy manufacturing.

#### **Gross Profit**

U.S. Cannabis gross profit for the year ended December 31, 2025 was \$9,023, or a 63% gross margin, compared to \$11,035, or a 66% gross margin, for the year ended December 31, 2024.

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

U.S. Cannabis selling, general and administrative expenses for the year ended December 31, 2025 decreased \$2,405 to \$9,585, or 66% of sales, from \$11,990, or 69% of sales, for the year ended December 31, 2024. The improvement in selling, general and administrative expenses was primarily due to more efficient marketing and brand spending, as well as favorable contract renegotiations.

#### **Goodwill and Intangible Asset Impairments**

Goodwill and intangible assets impairments for the year ended December 31, 2025 were \$0 compared to \$11,939 for the year ended December 31, 2024. The impairment in the year ended December 31, 2024 was primarily related to the continued lower financial performance during 2024 due to the new restrictions on CBD sales in various states, as well as the proliferation of unregulated hemp-derived products on the market which continues to challenge market share for the CBD industry.

#### **Net Loss**

U.S. Cannabis net loss for the year ended December 31, 2025 was \$782 compared to a loss of \$13,333 for the year ended December 31, 2024. The improvement in U.S. Cannabis net loss was primarily due to the negative impact of the impairment cost in 2024 of \$11,939.

#### **Adjusted EBITDA from continuing operations**

U.S. Cannabis Adjusted EBITDA from continuing operations for the year ended December 31, 2025 was (\$288) compared to (\$672) for the year ended December 31, 2024. The improvement in the Adjusted EBITDA from continuing operations was due primarily to lower cost of sales due to cost efficiencies from the internalization of gummy manufacturing. See the reconciliation of Adjusted EBITDA from continuing operations to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA from continuing operations”.

### ***Year Ended December 31, 2024 Compared to Year Ended December 31, 2023***

#### **Sales**

U.S. Cannabis net sales for the year ended December 31, 2024 decreased \$2,940, or 14%, to \$17,390, from \$20,330 for the year ended December 31, 2023. The decrease was primarily due to new restrictions on CBD sales in eight states beginning July 1, 2024 and lower direct-to-consumer sales resulting from the proliferation of unregulated hemp-derived products on the market. All U.S. Cannabis sales were generated in the United States, with gross sales composed of 92% e-commerce sales, 7% retail sales and 1% miscellaneous.

#### **Cost of Sales**

U.S. Cannabis cost of sales for the year ended December 31, 2024 decreased \$647, or 9%, to \$6,355 from \$7,002 for the year ended December 31, 2023. The decrease was primarily due to lower sales.

## **Gross Profit**

U.S. Cannabis gross profit for the year ended December 31, 2024 was \$11,035, or a 63% gross margin, compared to \$13,328, or a 66% gross margin, for the year ended December 31, 2023.

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

U.S. Cannabis selling, general and administrative expenses for the year ended December 31, 2024 were \$11,990, or 69% of sales, compared to \$13,118, or 65% of sales, for the year ended December 31, 2023. The improvement in selling, general and administrative expenses when compared to the same prior year period is due to more efficient marketing and brand spending and contract renegotiation.

## **Goodwill and Intangible Asset Impairments**

Goodwill and intangible assets impairments for the year ended December 31, 2024 was \$11,939 compared to \$14,020 for the year ended December 31, 2023. The impairments were primarily related to the U.S. Cannabis reporting unit as a result of continued lower sales and financial performance versus prior periods due to new restrictions on CBD sales in states, as well as the proliferation of unregulated hemp-derived products throughout the United States.

## **Net Loss**

U.S. Cannabis net loss for the year ended December 31, 2024 was \$13,333 compared to a loss of \$13,828 for the year ended December 31, 2023. The decrease in net loss was primarily due to a lower impairment cost in the year ended December 31, 2024 of \$12,378 compared to an impairment cost of \$14,020 for the year ended December 31, 2023.

## **Adjusted EBITDA from continuing operations**

U.S. Cannabis Adjusted EBITDA from continuing operations for the year ended December 31, 2024 was (\$672) compared to \$861 for the year ended December 31, 2023. The decline in the Adjusted EBITDA from continuing operations was due primarily to lower sales at a lower gross margin. See the reconciliation of Adjusted EBITDA from continuing operations to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA from continuing operations”.

## **NETHERLANDS CANNABIS SEGMENT RESULTS**

The Netherlands Cannabis segment is composed of Leli Holland. Leli Holland commenced sales during the first quarter of 2025. Leli Holland was not operational during 2024 and, as a result, comparative financial performance to the prior-year periods is not meaningful.

### ***Year Ended December 31, 2025***

#### **Sales**

Net sales for the year ended December 31, 2025 were \$9,858.

#### **Cost of Sales**

Cost of sales for the year ended December 31, 2025 was \$4,955.

#### **Gross Profit**

Gross profit for the year ended December 31, 2025 was \$4,903, or a 50% gross margin.

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

Selling, general and administrative expenses for the year ended December 31, 2025 were \$2,849.

#### **Net Income**

Net income for the for the year ended December 31, 2025 was \$1,280.

#### **Adjusted EBITDA from continuing operations**

Adjusted EBITDA from continuing operations for the year ended December 31, 2025 was \$3,299.

## **PRODUCE SEGMENT RESULTS**

The Produce segment is composed of VFCLP, as well as the remaining assets of VFLP. The Produce’s segment's comparative analysis is based primarily on the consolidated results from continuing operations of VFCLP.

## ***Year Ended December 31, 2025 Compared to the Year Ended December 31, 2024***

### **Sales**

Produce sales for the year ended December 31, 2025 decreased by \$2,614, or 9% , to \$26,295, compared to \$28,909 for the year ended December 31, 2024. The decrease is primarily due to a sales commission charged on produce sales as a result of the supply agreement with Vanguard Produce Canada ULC (now Village Fresh Canada ULC).

### **Cost of Sales**

Produce cost of sales for the year ended December 31, 2025 was \$25,438 compared to \$25,450 for the year ended December 31, 2024, essentially flat.

### **Gross Profit**

Produce gross profit for the year ended December 31, 2025 decreased \$2,602, or 75%, to \$857 from a gross profit of \$3,459 for the year ended December 31, 2024. Total gross margin percentage was 3% for the year ended December 31, 2025, compared to 12% for the year ended December 31, 2024. The decrease was due to a sales commission charged on produce sales as a result of the supply agreement with Village Fresh Canada, which did not exist in the year ended December 31, 2024.

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

Produce selling, general and administrative expenses for the year ended December 31, 2025 decreased \$157, or 5%, to \$2,792 from \$2,949 for the year ended December 31, 2024.

### **Net Income From Continuing Operations**

Produce net income from continuing operations for the year ended December 31, 2025 decreased \$578, or 32%, to \$1,240 from \$1,818 for the year ended December 31, 2024. The decrease was due to the new 2025 sales commission to Village Fresh Canada.

### **Adjusted EBITDA From Continuing Operations**

Produce adjusted EBITDA from continuing operations for the year ended December 31, 2025 decreased \$1,076, or (14%), to \$6,666 from \$7,742 for the year ended December 31, 2024. The decrease was the result of lower sales due to the sales commission charged on produce sales under the supply agreement with Village Fresh Canada. See the reconciliation of Adjusted EBITDA from continuing operations to net (loss) income in “Non-GAAP Measures—Reconciliation of Net Loss to Adjusted EBITDA from Continuing Operations.”

## ***Year Ended December 31, 2024 Compared to the Year Ended December 31, 2023***

### **Sales**

Sales for the year ended December 31, 2024 increased by \$160 to \$28,909, from \$28,749 for the year ended December 31, 2023.

### **Cost of Sales**

Cost of sales decreased \$4,594, or 15%, to \$25,450 for the year ended December 31, 2024, from \$30,044 for the year ended December 31, 2023. The decrease is primarily due to costs incurred in 2023 related to the end of the Monahans Greenhouse crop at the beginning of 2023 as preparations were made to shut the greenhouse down.

### **Gross Profit (Loss)**

Gross profit increased \$4,754 to \$3,459, or a 12% gross margin, for the year ended December 31, 2024, from a gross loss of \$1,295, or a (5%) gross margin, for the year ended December 31, 2023. The improvement in gross margin was due primarily to the lower cost of sales.

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

Selling, general and administrative expenses for the year ended December 31, 2024 increased \$1,111, or 60%, to \$2,949 from \$1,839 for the year ended December 31, 2023. The increase was primarily due to a recovery of prior period legal costs associated with vendor settlements for the year ended December 31, 2023.

### **Net Income (Loss) From Continuing Operations**

Net income from continuing operations for the year ended December 31, 2024 was \$1,818 compared to a net loss of \$9,492 for the year ended December 31, 2023. The improvement in net loss was primarily due to a higher gross margin and a favorable vendor settlement relating to the partial recovery of operational losses from the ToBRFV infestation of \$4,015.

## Adjusted EBITDA From Continuing Operations

Adjusted EBITDA from continuing operations for the year ended December 31, 2024 improved to \$7,742 from \$399 for the year ended December 31, 2023. The improvement was due to the favorable vendor settlement of \$4,015 as described above and improvements in gross margin. See the reconciliation of Adjusted EBITDA from continuing operations to net (loss) income in “Non-GAAP Measures—Reconciliation of Net Loss to Adjusted EBITDA from Continuing Operations.”

## LIQUIDITY AND CAPITAL RESOURCES

### Capital Resources

As of December 31, 2025, we had \$86,252 in cash, cash equivalents, and restricted cash, and \$95,851 of working capital, compared to \$24,631 in cash, cash equivalents and restricted cash and \$53,800 of working capital as of December 31, 2024. Subsequent to year end, we paid \$14 million on February 26, 2026 to the Canadian Revenue Agency for our expected 2025 income tax liability, as well as two months of its 2026 income tax installments. We believe that our existing cash, cash generated from our operating activities, together with availability under the Pure Sunfarms Secured Credit Facilities (defined below), will provide sufficient liquidity to meet our working capital needs, repayments of our long-term debt, future contractual obligations and planned capital expenditures for the next 12 months. An additional potential source of liquidity is access to capital markets for additional equity or debt financing. We intend to use our cash on hand for daily operational funding requirements.

<i>(in thousands of U.S. dollars unless otherwise noted)</i>	<b>Maximum</b>	<b>Outstanding as of December 31, 2025</b>
FCC Term Loan	\$ 15,855	\$ 15,855
Pure Sunfarms Term Loan Facility	\$ 17,799	\$ 17,799
Pure Sunfarms Revolving Credit Facility	C	—
	\$ 10,000	\$ —

The Company is required to comply with financial covenants. At December 31, 2025, the Company was compliant with all of its financial covenants.

At December 31, 2024, the Company was not in compliance with financial covenants related to the fixed charge coverage ratio under the FCC Term Loan (as defined below) and the PSF Term Loan (as defined below), for which the Company received waivers. On April 10, 2025, the Company entered into an Amended and Restated Credit Agreement (the “A&R Credit Agreement”) with FCC as the lender, which amended and restated the FCC Term Loan. Among other things, the A&R Credit Agreement replaced the current financial covenants with more favorable financial covenants. Under the Pure Sunfarms Secured Credit Facilities (as defined below) entered into on April 17, 2025, the Company is also required to maintain certain financial covenants. We can provide no assurance that we will be in compliance, or receive a waiver, for any non-compliance of the financial covenants. See “Risk Factors—Business and Operational Risk Factors—We are subject to restrictive covenants under our Credit Facilities.”

Accrued interest payable on all long term-debt as of December 31, 2025 and 2024 were \$166 and \$271, respectively. These amounts are included in accrued liabilities in the accompanying Consolidated Statements of Financial Position.

### FCC 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 May 3, 2027 and balances of \$15,855 and \$20,821 on December 31, 2025 and 2024, respectively. 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 May 3, 2027. As of December 31, 2025 and 2024, borrowings under the FCC Term Loan agreement were subject to interest rates of 7.45% and 8.12% per annum, respectively.

As collateral for the FCC Term Loan, the Company has provided a promissory note, a first mortgage on the VFF-owned Delta 1 and Monahans greenhouses, 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 December 31, 2025 and 2024 was \$84,653 and \$77,682, respectively.

On April 10, 2025, the Company entered into the A&R Credit Agreement with respect to the FCC Term Loan. Among other things, the A&R Credit Agreement (i) adds the Company as a new borrower, (ii) adds VF Clean Energy, Inc. as a new guarantor, and (iii) replaces the fixed charged ratio covenant with a more favorable liquidity ratio covenant.

### Pure Sunfarms Loans

On April 17, 2025, the Company entered into a secured credit facility with a Canadian chartered bank as administrative agent with an aggregate borrowing capacity of C\$37.4 million, consisting of a maximum C\$10.0 million revolving credit facility (the “Pure Sunfarms Revolving Credit Facility”), and a C\$27.4 million term loan facility (the “Pure Sunfarms Term Loan Facility”, and collectively with the Pure Sunfarms Revolving Credit Facility, the “Pure Sunfarms Secured Credit Facilities”). The Pure Sunfarms

Secured Credit Facilities are secured by the Delta 2 and Delta 3 greenhouse facilities. The Pure Sunfarms Secured Credit Facilities will be used for working capital and other general corporate purposes, and were used to replace, and repay remaining outstanding balances on, the Company's (i) Pure Sunfarms Loans and (ii) the PSF Revolving Line of Credit. The credit and guarantee agreements related to the Pure Sunfarms Loans and the PSF Revolving Line of Credit were likewise terminated.

The Pure Sunfarms Revolving Credit Facility can be drawn for advances of up to C\$10.0 million. The outstanding amount of the Pure Sunfarms Term Loan Facility was \$17,799 as of December 31, 2025 and is repayable, on a quarterly basis, in an amount equal to C\$1.0 million. Any amount remaining unpaid will be due and payable in full on the maturity date, which is on February 7, 2028.

The loans under the Pure Sunfarms Secured Credit Facilities accrue interest at a rate equal to, at the Company's option, (a) the Canadian Prime Rate plus the applicable margin, or (b) the Canadian Overnight Repo Rate Average plus the applicable margin. The applicable margin for the Pure Sunfarms Secured Credit Facility is determined based upon the leverage ratio.

The Pure Sunfarms Secured Credit Facilities also contain customary covenants, customary representations and warranties, affirmative covenants, financial covenants and events of default.

Prior to April 2025, Pure Sunfarms had a credit facility with the Business Development Bank of Canada (the "BDC Facility"), a non-revolving credit facility (the "PSF Non-Revolving Facility") and a term loan (the "PSF Term Loan") with two Canadian chartered banks (collectively, with the BDC Facility, the PSF Non-Revolving Facility, and the PSF Term Loan the "Pure Sunfarms Loans"). In addition, Pure Sunfarms had a revolving line of credit (the "PSF Revolving Line of Credit") with a Canadian chartered bank. As described above, on April 17, 2025, Pure Sunfarms replaced the Pure Sunfarms Loans and the PSF Revolving Line of Credit with the Pure Sunfarms Secured Credit Facilities.

On February 20, 2026, the Company amended the Pure Sunfarms Secured Credit Facilities which increased loan commitments by CAD \$15 million and extended existing maturities by one year to February 2029. The incremental debt financing comes in the form of a delayed draw term loan, from which the Company drew an initial CAD \$5 million on February 20, 2026. All other terms of the Pure Sunfarms Secured Credit Facilities remain unchanged.

## Summary of Cash Flows

<i>(in Thousands)</i>	For the Year Ended December 31,		
	2025	2024	2023
Cash beginning of year	\$ 24,631	\$ 35,291	\$ 21,676
Net cash flow provided by (used in):			
Operating activities	58,112	13,728	7,633
Investing activities	(18,614)	(7,326)	(3,317)
Financing activities	(6,351)	(9,526)	14,137
Discontinued operations	26,322	(6,295)	(5,232)
Net cash (decrease) increase for the year	59,469	(9,419)	13,221
Effect of exchange rate changes on cash	2,152	(1,241)	394
Cash, end of the year	\$ 86,252	\$ 24,631	\$ 35,291

### Operating Activities

For the years ended December 31, 2025 and 2024 and 2023 cash flows provided by (used in) operating activities were \$58,112, \$13,728, and \$7,633, respectively. The operating activities for 2025 consisted of \$19,856 in changes of non-cash working capital items and \$38,256 in changes before working capital items, the operating activities for 2024 consisted of (\$97) in changes of non-cash working capital items and \$13,825 in changes before working capital items, the operating activities for 2023 consisted of \$1,254 in changes in non-cash working capital items and \$6,379 in changes before non-cash working capital items. The improvement in 2025 from 2024 was primarily due to higher sales for Canadian Cannabis at a higher margin and the first year sales from Cannabis Netherlands. The improvement in 2024 from 2023 was primarily due to higher sales for Canadian Cannabis.

### Investing Activities

For the years ended December 31, 2025, 2024, and 2023, cash flows used in investing activities were \$18,614, \$7,326, and \$3,317, respectively. The investing activities for the year ended December 31, 2025 consisted primarily of capital expenditures of \$11,624 made for the Cannabis Netherlands Phase II indoor cultivation facility and \$6,594 in capital expenditures to support the Canadian Cannabis, U. S. Cannabis, and Produce operations. The investing activities in 2024 consisted primarily of \$6,061 in capital expenditures for Cannabis Netherlands and \$1,108 in capital expenditures to support the Produce, Canadian Cannabis, and U.S. Cannabis operations. The investing activities for the year ended December 31, 2023 primarily consisted of \$3,604 invested in capital expenditures to support the Canadian Cannabis, U.S. Cannabis operations, and Produce operations, partially offset by the collection of a promissory note.

## Financing Activities

For the years ended December 31, 2025, 2024, and 2023 cash flows provided by (used in) financing activities were (\$6,351), (\$9,526), and \$14,137, respectively. The financing activities for the year ended December 31, 2025 consisted of net repayments on borrowings of \$7,865, proceeds from the exercise of warrants and options of \$5,031, and share repurchases of (\$2,971). The financing activities for the year ended December 31, 2024 consisted primarily of debt repayments of (\$5,709) and cash used for the acquisition of an additional 10% ownership interest in Rose LifeScience and additional 15% ownership interest in Leli of (\$3,817). The financing activities for the year ended December 31, 2023 cash flows provided by financing activities consisted of \$23,335 in proceeds from the 2023 Equity Offering net of issuance costs, \$83 in proceeds from the exercise of stock options offset by debt repayment of (\$9,281).

## Contractual Obligations and Commitments

We expect to meet our contractual obligations and commitments through the use of our working capital and our other available liquidity sources as described above. We currently do not have any material cash requirements in the near future, other than the completion of the Cannabis Netherlands Phase II indoor cultivation facility and the conversion of half of our Delta 2 greenhouse to cannabis cultivation, as well as our long-term debt repayment obligations as described above.

In addition, we currently have material long-term debt and lines of credit that we rely on to meet the financing needs of the Company. The long-term debt and lines of credit have interest rate terms that may be affected by rising interest rates which can impact the cost of capital for the Company. For the sensitivity of our borrowing costs to fluctuations in interest rates, see “Item 7A – Qualitative and Quantitative Disclosures About Market Risk – Interest Rate Risk” below for additional information.

## Non-GAAP Measures

References in this Management’s Discussion and Analysis to “Adjusted EBITDA from continuing operations” are to earnings before interest, taxes, depreciation, and amortization (“EBITDA”), as further adjusted to exclude foreign currency exchange gains and losses, share-based compensation, gains and losses on asset sales and the other adjustments set forth in the table below. In addition, we present below “Adjusted EBITDA from continuing operations – Constant Currency” which excludes the effect of foreign currency rate fluctuations. See “—Constant Currency” below. Adjusted EBITDA from continuing operations and Adjusted EBITDA from continuing operations - Constant Currency are measures of operating performance that are not recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, these non-GAAP measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that our non-GAAP measures should not be construed as an alternative to net income or loss determined in accordance with GAAP as an indicator of our performance. Our non-GAAP measures are used as additional measures to evaluate the operating and financial performance of our segments. Management believes that our non-GAAP measures are important measures in evaluating the historical performance of the Company because it excludes items that do not reflect our business performance.

### Reconciliation of Net Income to Adjusted EBITDA from Continuing Operations

The following table reflects a reconciliation of net income (loss) from continuing operations to Adjusted EBITDA from continuing operations, as presented by the Company:

	<b>For the Year Ended December 31,</b>		
	<b>2025<sup>(1)</sup></b>	<b>2024<sup>(1)</sup></b>	<b>2023<sup>(1)</sup></b>
<i>(in thousands of U.S. dollars)</i>			
Net income (loss) from continuing operations	\$ 20,988	\$ (27,942)	\$ (33,076)
Add:			
Amortization and depreciation	16,379	16,723	14,090
Foreign currency exchange (gain) loss	(1,677)	2,635	(740)
Interest expense, net	1,541	2,451	3,478
Provision for income taxes	10,371	(1,662)	7,451
Share-based compensation	1,741	3,747	3,111
Deferred financing fees	116	10	136
Goodwill and intangible impairments <sup>(2)</sup>	—	11,939	14,020
Other impairments	217	439	—
Other expense, net	101	17	(67)
Adjustments attributable to non-controlling interest	75	(983)	(925)
Adjusted EBITDA from continuing operations <sup>(3)</sup>	<u>\$ 49,852</u>	<u>\$ 7,374</u>	<u>\$ 7,478</u>

Notes:

- <sup>(1)</sup> For the years ended December 31, 2025, 2024, and 2023, Rose LifeScience’s financial results are fully consolidated in the financial results of the Company with the minority non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax.

For the year ended December 31, 2025, 2024 and 2023 Leli's financial results are fully consolidated in the financial results of the Company with the minority non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax.

- (2) For the year ended December 31, 2024, impairments included impairments to goodwill of \$10,039 and intangible assets of \$1,900. For the year ended December 31, 2023, impairments included impairments to goodwill of \$11,300 and intangible assets of \$2,720. See "Critical Accounting Policies, Estimates and Judgments" below for more information.
- (3) Adjusted EBITDA from continuing operations is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA from continuing operations may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA from continuing operations is a useful supplemental measure in evaluating the performance of the Company because it excludes items that do not reflect our business performance. Adjusted EBITDA from continuing operations includes the Company's 70% interest in Rose LifeScience through March 31, 2024, 80% interest in Rose LifeScience beginning on April 1, 2024, 85% interest in Leli through September 22, 2024, and our 100% interest in Leli beginning on September 23, 2024.

### Reconciliation of Segmented Net (Loss) Income to Adjusted EBITDA from Continuing Operations

The following table reflects a reconciliation of segmented net loss to Adjusted EBITDA from continuing operations, as presented by the Company:

	For the Year Ended December 31, 2025						
	Produce	Cannabis Canada <sup>(1)</sup>	Cannabis U.S.	Clean Energy	Cannabis Netherlands <sup>(1)</sup>	Corporate	Total
<i>(in thousands of U.S. dollars)</i>							
Net income (loss) from continuing operations	\$ 1,240	\$ 26,241	\$ (782)	\$ 1,027	\$ 1,280	\$ (8,018)	\$ 20,988
Add:							
Amortization and depreciation	3,881	10,826	192	—	1,351	129	16,379
Foreign currency exchange loss	(132)	(100)	—	—	(1)	(1,444)	(1,677)
Interest expense (income), net	1,506	722	—	—	(2)	(685)	1,541
Provision for (recovery of) income taxes	56	9,363	—	286	666	—	10,371
Share-based compensation	18	380	81	—	5	1,257	1,741
Deferred financing fees	—	116	—	—	—	—	116
Other impairments	—	—	217	—	—	—	217
Other expense, net	97	—	4	—	—	—	101
Adjustments attributable to non-controlling interest	—	75	—	—	—	—	75
Adjusted EBITDA from continuing operations <sup>(3)</sup>	<u>\$ 6,666</u>	<u>\$ 47,623</u>	<u>\$ (288)</u>	<u>\$ 1,313</u>	<u>\$ 3,299</u>	<u>\$ (8,761)</u>	<u>\$ 49,852</u>

**For the Year Ended December 31, 2024**

<i>(in thousands of U.S. dollars)</i>	<b>Produce</b>	<b>Cannabis Canada <sup>(1)</sup></b>	<b>Cannabis U.S.</b>	<b>Clean Energy</b>	<b>Cannabis Netherland s <sup>(1)</sup></b>	<b>Corporate</b>	<b>Total</b>
Net income (loss) from continuing operations	\$ 1,818	\$ (2,814)	\$ (13,333)	\$ 755	\$ (1,164)	\$ (13,204)	\$ (27,942)
Add:							
Amortization and depreciation	3,258	11,790	204	—	1,275	196	16,723
Foreign currency exchange (gain) loss	317	42	—	—	—	2,276	2,635
Interest expense (income), net	2,232	629	—	16	—	(426)	2,451
Provision for (recovery of) income taxes	100	(1,537)	—	—	(391)	166	(1,662)
Share-based compensation	—	166	79	—	—	3,502	3,747
Deferred financing fees	—	10	—	—	—	—	10
Goodwill and intangible impairments <sup>(2)</sup>	—	—	11,939	—	—	—	11,939
Other impairments	—	—	439	—	—	—	439
Other expense, net	17	—	—	—	—	—	17
Adjustments attributable to non-controlling interest	—	(1,004)	—	—	21	—	(983)
Adjusted EBITDA from continuing operations <sup>(3)</sup>	<u>\$ 7,742</u>	<u>\$ 7,282</u>	<u>\$ (672)</u>	<u>\$ 771</u>	<u>\$ (259)</u>	<u>\$ (7,490)</u>	<u>\$ 7,374</u>

**For the Year Ended December 31, 2023**

<i>(in thousands of U.S. dollars)</i>	<b>Produce</b>	<b>Cannabis Canada <sup>(1)</sup></b>	<b>Cannabis U.S.</b>	<b>Clean Energy</b>	<b>Cannabis Netherland s <sup>(1)</sup></b>	<b>Corporate</b>	<b>Total</b>
Net (loss) income from continuing operations	\$ (9,492)	\$ 3,098	\$ (13,828)	\$ (186)	\$ (1,217)	\$ (11,451)	\$ (33,076)
Add:							
Amortization and depreciation	3,300	9,123	335	—	1,081	251	14,090
Foreign currency exchange (gain) loss	(2)	(64)	19	—	—	(693)	(740)
Interest expense (income), net	2,309	2,021	(24)	—	—	(828)	3,478
Provision for (recovery of) income taxes	4,284	1,430	—	—	(48)	1,785	7,451
Share-based compensation	—	61	317	—	—	2,733	3,111
Deferred financing fees	—	136	—	—	—	—	136
Goodwill and intangible impairments <sup>(2)</sup>	—	—	14,020	—	—	—	14,020
Other (income) expense, net	—	(89)	22	—	—	—	(67)
Adjustments attributable to non-controlling interest	—	(952)	—	—	27	—	(925)
Adjusted EBITDA from continuing operations <sup>(3)</sup>	<u>\$ 399</u>	<u>\$ 14,764</u>	<u>\$ 861</u>	<u>\$ (186)</u>	<u>\$ (157)</u>	<u>\$ (8,203)</u>	<u>\$ 7,478</u>

Notes:

- (1) For the years ended December 31, 2025, 2024, and 2023, Rose LifeScience’s financial results are fully consolidated in the financial results of the Company with the minority non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax. For the years ended December 31, 2025, 2024 and 2023, Leli’s financial results are fully consolidated in the financial results of the Company with the minority non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax.
- (2) For the year ended December 31, 2024, impairments included impairments to goodwill of \$10,039 and intangible assets of \$1,900. For the year ended December 31, 2023, impairments included impairments to goodwill of \$11,300 and intangible assets of \$2,720. See “Critical Accounting Policies, Estimates and Judgments” below for more information.
- (3) Adjusted EBITDA from continuing operations is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA from continuing operations presented for these segments may not be comparable to similar measures presented for comparable segments by other issuers. Management believes that Adjusted EBITDA from continuing operations is a useful supplemental measure in evaluating the performance of the Company because it excludes items that do not reflect our business performance. Adjusted EBITDA from continuing operations includes the Company’s 70% interest in Rose LifeScience through March 31,

2024, 80% interest in Rose LifeScience beginning on April 1, 2024, 85% interest in Leli through September 22, 2024, and our 100% interest in Leli beginning on September 23, 2024.

## Constant Currency

To supplement the consolidated financial statements presented in accordance with U.S. GAAP, we have presented constant currency adjusted financial measures for sales, cost of sales, selling, general and administrative, other income (expense), operating (loss) income, loss from consolidated entities, net loss, and Adjusted EBITDA from continuing operations for the year ended December 31, 2025 and 2024, which are considered non-GAAP financial measures. We present constant currency information to provide a framework for assessing how our underlying operations performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period income statement results in currencies other than U.S. dollars are converted into U.S. dollars using the average exchange rates from the annual comparative period rather than the actual average exchange rates in effect during the respective current periods. All growth comparisons relate to the corresponding periods. We have provided this non-GAAP financial information to aid investors in better understanding the performance of our segments without taking into account the effect of exchange rate fluctuations. The non-GAAP financial measures presented in this Quarterly Report should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with U.S. GAAP.

The tables below set forth certain measures of consolidated results from continuing operations on a constant currency basis for the year ended December 31, 2025 compared with the year ended December 31, 2024 on an as reported and constant currency basis (in thousands):

	As Reported				As Adjusted for Constant Currency <sup>(1)</sup>			
	For The Year Ended December 31,		As Reported Change		For The Year Ended December 31,		Constant Currency Change	
	2025	2024	\$	%	2025	\$	%	
Sales	\$ 215,937	\$ 195,907	\$ 20,030	10%	\$ 219,276	\$ 23,369	12%	
Cost of sales	(128,255)	(150,106)	21,851	15%	(130,122)	19,984	13%	
Selling, general and administrative expenses	(60,293)	(61,748)	1,455	2%	(60,998)	750	1%	
Other income (expense), net	4,187	(1,279)	5,466	427%	4,166	5,445	426%	
Goodwill and intangible impairments	—	(11,939)	11,939	100%	—	11,939	100%	
Other impairments	(217)	(439)	222	0%	(217)	222	0%	
Operating income (loss)	31,359	(29,604)	60,963	206%	32,105	61,709	208%	
Income (loss) including non-controlling interests	20,988	(27,942)	48,930	175%	20,793	48,735	174%	
Net income (loss)	32,441	(35,851)	68,292	190%	32,992	68,843	192%	
Adjusted EBITDA from continuing operations - Constant Currency <sup>(2)</sup>	49,852	7,374	42,478	6%	49,859	42,485	6%	

Notes:

(1) Assumes a constant exchange rate of C\$1.00 = US\$0.7301 (the CDN/U.S. average exchange rate for the year ended December 31, 2024) for each of the years ended December 31, 2025 and 2024.

(2) Adjusted EBITDA from continuing operations - Constant Currency is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA from continuing operations - Constant Currency may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA from continuing operations - Constant Currency is a useful supplemental measure in evaluating the performance of the Company because it excludes non-recurring and other items that do not reflect our business performance. Adjusted EBITDA from continuing operations includes the Company's 70% interest in Rose LifeScience through March 31, 2024, 80% interest in Rose LifeScience beginning on April 1, 2024, 85% interest in Leli through September 22, 2024, and our 100% interest in Leli beginning on September 23, 2024.

The table below sets forth certain measures of consolidated results from continuing operations on a constant currency basis for the year ended December 31, 2024 compared to the year ended December 31, 2023 on an as reported and constant currency basis (in thousands):

	As Reported				As Adjusted for Constant Currency <sup>(1)</sup>			
	For The Year Ended December 31,		As Reported Change		For The Year Ended December 31,		Constant Currency Change	
	2024	2023	\$	%	2024	\$	%	
Sales	\$ 195,907	\$ 163,109	\$ 32,798	20%	198,160	\$ 35,051	21%	
Cost of sales	(150,106)	(115,157)	(34,949)	(30%)	(151,887)	(36,730)	(32%)	
Selling, general and administrative expenses	(61,748)	(56,714)	(5,034)	(9%)	(62,261)	(5,547)	(10%)	
Other expense, net	(1,279)	(2,843)	1,564	55%	(1,292)	1,551	55%	
Goodwill and intangible impairments	(11,939)	(14,020)	2,081	(10) 0%	(11,939)	2,081	(10) 0%	
Other impairments	(439)	—	(439)	(10) 0%	(439)	(439)	(10) 0%	
Operating loss	(29,604)	(25,625)	(3,979)	(16%)	(29,658)	(4,033)	(16%)	
Loss including non-controlling interests and before equity losses	(27,942)	(33,076)	5,134	16%	(27,973)	5,103	15%	
Net loss	(35,851)	(34,798)	(1,053)	(3%)	(35,857)	(1,059)	(3%)	
Adjusted EBITDA from continuing operations - Constant Currency <sup>(2)</sup>	7,374	7,478	(104)	1%	7,337	(141)	2%	

Notes:

<sup>(1)</sup> Assumes a constant exchange rate of C\$1.00 = US\$0.7689 (the CDN/U.S. average exchange rate for the year ended December 31, 2023) for each of the years ended December 31, 2024 and 2023.

<sup>(2)</sup> Adjusted EBITDA from continuing operations - Constant Currency is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA from continuing operations - Constant Currency may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA from continuing operations - Constant Currency is a useful supplemental measure in evaluating the performance of the Company because it excludes items that do not reflect our business performance. Adjusted EBITDA from continuing operations - Constant Currency includes the Company's 70% interest in Rose LifeScience since acquisition, 85% interest in Leli since acquisition.

### Recent Accounting Pronouncements Not Yet Adopted

See Note 1, "Business, Basis of Presentation and Significant Accounting Policies – New Accounting Pronouncements," of the notes to the consolidated financial statements included in Part II, Item 8 "Financial Statements and Supplementary Data" of our Annual Report for additional information about new accounting pronouncements.

### Critical Accounting Policies, Estimates and Judgments

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated 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 base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, including the potential future effects of macroeconomic trends and events, such as inflation and interest rate levels; supply chain disruptions; uncertainty from potential recessionary effects; climate-related matters; market, industry and regulatory factors; global events, and public health matters. These estimates form the basis for making judgments about our operating results and the carrying values of assets and liabilities, that are not readily apparent from other sources. Given that management estimates, by their nature, involve judgments regarding future uncertainties, actual results could differ materially from these estimates if conditions change or if certain key assumptions used in making these estimates ultimately prove to be inaccurate. Our accounting policies and critical accounting estimates are reviewed periodically by the Audit Committee of the Board of Directors.

We believe that our accounting estimates pertaining to the valuations of goodwill and intangible assets are the most critical in the preparation of our consolidated financial statements as they require significant or complex judgment and estimates on the part of management. Actual results could, however, vary materially from these accounting estimates.

Refer to Note 1 - Business, Basis of Presentation and Significant Accounting Policies in the notes to the audited consolidated financial statements, which is included in this Annual Report on Form 10-K, for a more detailed discussion of our significant accounting policies and critical accounting estimates.

### ***Assessment for Indicators of Impairment***

#### **Goodwill**

##### **Year Ended December 31, 2025**

###### *Cannabis – Canada – Goodwill*

There were no impairment indicators for the period ended December 31, 2025.

##### **Year Ended December 31, 2024**

###### *Cannabis – Canada – Goodwill*

The fair value of the reporting unit was determined based on a discounted cash flow projections from budgets approved for 2025, which was extended to 2029 with a compound annual revenue growth rate of 7.5% from 2025 to 2029, followed by terminal growth rate of 3%. Management concluded that the fair value was higher than its carrying amount by approximately \$9,740 as of December 31, 2024 and therefore no impairment to goodwill was required.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase of approximately 0.3% in the discount rate would result in the fair value being equal to the carrying value, and each additional 0.5% increase would result in an impairment of approximately \$13,219.
- Terminal growth rate: A decrease in approximately 0.6% in the terminal growth rate would result in the fair value being equal to the carrying value, and each additional 0.5% decrease would result in an impairment of approximately \$6,957.
- Forecasted Revenues: A decrease in forecasted revenues by approximately 4.1% would result in the fair value being equal to the carrying value, and each additional 5% decrease would result in an impairment of approximately \$12,523.
- Net working capital: Net working capital requirements are approximately 29.8% of revenue. An increase of approximately 3.8% in net working capital investment would result in the fair value being equal to the carrying value, and each additional 5% increase would result in an impairment of approximately \$12,523.

###### *Cannabis – Canada – Brand*

The fair value of the brand was determined based on a discounted cash flow projection, covering a five-year period. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that the fair value was higher than its carrying value of \$3,270 by approximately \$626 as of December 31, 2024 and therefore, no impairment to brand was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase in the discount rate by approximately 1.5% would result in the fair value being equal to the carrying value, and each additional 1% increase in the discount rate would result in an impairment of approximately \$348.
- Royalty rate: An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by approximately 0.2% would result in the recoverable amount being equal to the carrying value.
- Future revenues: A decrease in future revenues by 4% would result in the fair value being equal to the carrying value, and each additional 10% decrease in the future revenues would result in an impairment of approximately \$1,252.

### *Cannabis - U.S.*

At June 30, 2024, when the Company considered qualitative factors in assessing impairment indicators, it concluded that the Company's U.S. - Cannabis segment more likely than not was impaired. The Company reviewed the reportable segment's assets, including goodwill and intangible assets. Based on recent historical performance during the quarter which underperformed relative to budget, a revised June 30, 2024 forecast which resulted in a shortfall compared to the March 31, 2024 forecast, the new restrictions on CBD sales in an additional eight states at July 1, 2024, and the proliferation of unregulated hemp-derived products on the market which continues to challenge market share for the CBD industry, the Company concluded that as of June 30, 2024, the fair value of the brand intangible asset and goodwill was fully impaired and an impairment charge to goodwill of \$10,039 and a charge to intangibles of \$1,900 was recorded to the U.S. Cannabis reporting unit.

### *Cannabis - U.S. - Goodwill*

The fair value of the reporting unit was determined based on a discounted cash flow projection using projections for the remainder of 2024 to 2028 with an average revenue growth rate of 6% between 2025 to 2028, followed by a terminal growth rate of 2%. Management concluded that as of June 30, 2024, the fair value was lower than its carrying amount and as a result, an impairment charge to goodwill of \$10,039 was recorded to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- **Post-tax discount rate:** A market participant post-tax discount rate applied to the after-tax forecast cash flows was 12%. A decrease of 1% to the discount rate, would not result in a material change to the impairment charge.
- **Terminal growth rate:** An increase of 1% in the terminal growth rate would not result in a material change to the impairment charge.
- **Future cash flows:** An increase in future cash flows by 10% would not result in a material change to the impairment charge.

### *Cannabis – U.S. Brand*

The fair value of the brand was determined based on a discounted cash flow projection. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that as of June 30, 2024, the fair value was lower than its carrying value of \$1,900 as the notional brand maintenance costs exceeded the incremental royalty of 3.5%. Therefore, an impairment charge to the brand intangible of \$1,900 was allocated to the reporting unit.

### ***Inventories***

Inventories are valued at the lower of cost or net realizable value. The cost of inventory includes capitalized production costs, including labor, materials, post-harvest costs and depreciation. Inventoriable costs are expensed to cost of goods sold on the Consolidated Statement of Operations in the same period as finished products are sold. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period when the write-down or loss occurs. Inventory write-downs for the year ended December 31, 2024 were \$11,038 which consisted of older manufactured products which required incremental rework costs that were higher than the resell value of the finished goods, so it was concluded to write off this inventory rather than to continue incurring incremental costs to sell it. There were no inventory impairments recognized for the year ended December 31, 2025.

### ***Revenue Recognition***

The Company's produce and cannabis revenue transactions consist of a single performance obligation to transfer promised goods at a fixed price. Quantities to be delivered to the customer are determined at a point near the date of delivery through purchase orders received from the customer. The Company recognizes revenue when it has fulfilled a performance obligation, which is typically when the customer receives the goods. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring the goods. The amount of revenue recognized is measured at the fair value of the consideration received or receivable, reduced for excise duty, returns, and other customer credits, such as trade discounts and volume rebates. Payment terms are consistent with terms standard to the markets the Company serves.

Direct-to-consumer product sales for loyalty members contain two distinct performance obligations for which the Company allocates the transaction price based on the relative stand-alone value of each performance obligation, such that both revenue related to the delivery of the underlying purchased goods and deferred revenue for loyalty points issued to the customer are recognized based on the allocated consideration of value, after giving consideration to loyalty point breakage. The loyalty liability represents a performance obligation to provide goods for free or at a discount to loyalty members in exchange for the redemptions of points earned from past activities.

Judgment is required in determining whether the Company is the principal or agent in certain transactions. We evaluate the presentation of revenue on a gross or net basis based on whether we control the service provided to the end-user and are the principal (i.e. “gross”), or we arrange for other parties to provide the service to the end-user and are an agent (i.e. “net”).

For each identified performance obligation in the contract with the customer, we assess whether our agency or the third-party supplier is the principal or agent. We control the specified services before transferring those services to the customer and act as the principal if we are primarily responsible for fulfilling the promise to provide the specified good or service, have inventory risk, or discretion in establishing pricing. For performance obligations in which we act as principal, we record the gross amount billed to the customer within total revenue and the related incremental direct costs incurred as billable expenses.

If the third-party supplier, rather than the Company, is primarily responsible for the performance and deliverable to our customer, then we generally act as the agent and solely arrange for the third-party supplier to provide services to the customer. For performance obligations for which we act as the agent, we record our revenue as the net amount of our gross billings less pass-through expenses charged to a customer.

Revenue received from shipping and handling fees is reflected in net sales. Shipping and handling costs are included in cost of sales as incurred or at the time revenue is recognized for the related goods, whichever comes first.

### **Year Ended December 31, 2023**

As of December 31, 2023, when the Company considered qualitative factors in assessing impairment indicators it concluded that the Company's U.S. - Cannabis segment more likely than not was impaired. The Company tested that segment's assets, including goodwill and intangible assets for impairment.

#### *Cannabis - U.S. - Goodwill*

The fair value of the reporting unit was determined based on a discounted cash flow projection from budgets approved by senior management for 2024 to 2029 with an average revenue growth rate of 8% over 6 years, followed by terminal growth rate of 4.1%. Management concluded that as of December 31, 2023, the fair value was lower than its carrying amount and as a result, an impairment charge to goodwill of \$11,300 was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: A market participant post-tax discount rate applied to the after-tax forecast cash flows was 11%. An increase of 1% to the discount rate, would increase the impairment by approximately \$1,700.
- Terminal growth rate: A decrease of 0.5% in the terminal growth rate would increase the impairment by approximately \$700.
- Future cash flows: A decrease in future cash flows by 10% would increase the impairment by approximately \$1,300.

#### *Cannabis – U.S. – Brand*

The fair value of the brand was determined based on a discounted cash flow projection. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. An average revenue growth rate of 8% was used over 6 years, followed by terminal growth rate of 4.1%. Management concluded that as of December 31, 2023, the fair value was lower than its carrying amount and as a result, an impairment charge to the brand intangible of \$2,720 was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: A market participant post-tax discount rate applied to the after-tax forecast cash flows was 11%. An increase of 1% to the discount rate, would increase the impairment by approximately \$200.
- Royalty rate: An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by 0.5% would increase the impairment to brand by \$1,600.
- Future revenues: A decrease in future revenues by 10% would increase the impairment by approximately \$200.

#### *Cannabis – Canada – Goodwill*

The fair value of the reporting unit was determined based on a discounted cash flow projection from budgets approved for 2024, which was extended to 2027 with a compound annual revenue growth rate of 16% from 2024 to 2027, followed by terminal growth rate of 4%. Management concluded that the fair value was higher than its carrying amount by approximately \$2,565 as of December 31, 2023 and therefore no impairment to goodwill was required.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase of approximately 0.07% in the discount rate would result in the fair value being equal to the carrying value, and each additional 0.5% increase would result in an impairment of approximately \$18,858.
- Terminal growth rate: A decrease in approximately 0.1% in the terminal growth rate would result in the fair value being equal to the carrying value, and each additional 0.5% decrease would result in an impairment of approximately \$17,350.
- Future cash flows: A decrease in the future cash flows before net working capital by approximately 1.0% would result in the fair value being equal to the carrying value, and each additional 5% decrease would result in an impairment of approximately \$16,595.
- Net working capital: Net working capital ranges between 40% and 45% of revenue. An increase of 6% in net working capital investment would result in the fair value being equal to the carrying value, and each additional 5% increase would result in an impairment of approximately \$3,017.

#### *Cannabis – Canada – Brand*

The fair value of the brand was determined based on a discounted cash flow projection, covering a four-year period. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that the fair value was higher than its carrying value of \$3,545 by approximately \$453 as of December 31, 2023 and therefore, no impairment to brand was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase in the discount rate by 1% would result in the fair value being equal to the carrying value, and each additional 1% increase in the discount rate would result in an impairment of approximately \$302.
- Royalty rate: An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by 0.12% would result in the recoverable amount being equal to the carrying value.
- Future revenues: A decrease in future revenues by 12% would result in the fair value being equal to the carrying value, and each additional 10% decrease in the future revenues would result in an impairment of approximately \$317.

## **ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Interest Rate Risk**

As of December 31, 2025, our variable interest rate debt was primarily related to our Credit Facilities and Term Loans. Outstanding borrowings under our Credit Facility and Term Loans bear interest at either the (a) Secured Overnight Financing Rate (“SOFR”) or (b) Canadian Prime Rate, as defined in the agreement, plus an applicable margin. As of December 31, 2025, we had approximately \$33,654 in aggregate principal amounts of our Term Loans with a weighted average interest rate of 6.0%. The current interest rates for outstanding revolving loans under our Credit Facility and Term Loans reflect basis point decreases of approximately 2.4% over the comparable period in 2024.

Our interest expense is affected by the overall interest rate environment. Our variable rate interest debt subjects us to risk from increases in prevailing interest rates. This risk increases in the current inflationary environment, in which the Federal Reserve may increase interest rates, resulting in an increase in our variable interest rates and related interest expense. An additional 50 basis

point increase in the applicable interest rates under our Credit Facility and Term Loan would have increased our interest expense by approximately \$186 and \$222 for the years ended December 31, 2025 and 2024, respectively.

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 December 31, 2025 and 2024, the Canadian/U.S. foreign exchange rate was C\$1.00 = US\$0.7156 and C\$1.00 = US\$0.7301, 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 December 31, 2025 and 2024 with the net foreign exchange gain or loss directly impacting net income (loss).

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<b>Financial assets</b>		
Cash and cash equivalents	\$ 6,086	\$ 2,260
Trade receivables	3,799	3,557
Inventories	5,165	3,929
Prepaid and deposits	321	198
<b>Financial liabilities</b>		
Trade payables and accrued liabilities	(7,301)	(4,025)
Loan payable	(2,466)	(2,883)
<b>Net foreign exchange gain</b>	<u>\$ 5,604</u>	<u>\$ 3,036</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.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this item are included beginning on page 90 of this Annual Report on Form 10-K. See also Item 15, "Exhibits, Financial Statement Schedules."

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

### ITEM 9A. 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 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.

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Annual Report on Form 10-K, our disclosure controls and procedures were effective at a reasonable assurance level.

#### Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed under the supervision of our Principal Executive Officer and Principal Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's management, with participation of the Principal Executive Officer and Principal Finance Officer, under the oversight of our Board of Directors, conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2025 using the framework established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2025.

Our independent registered public accounting firm, KPMG LLP, who audited our financial statements included in this Form 10-K, has issued its report on the effectiveness of our internal control over financial reporting as of December 31, 2025, which is included herein.

#### **Remediation of Material Weakness Identified as of December 31, 2024**

As disclosed in Part II Item 9A Controls and Procedures in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, we identified material weaknesses in internal control over financial reporting as the Company (i) did not effectively design and implement internal controls related to our information technology general controls (“ITGCs”) in the areas of user access and program change-management over the information technology (“IT”) system that is utilized to support the Produce segment’s financial reporting processes. Specifically, under our existing ITGCs, we determined that there were insufficient controls to limit user access to this system and to enable oversight of changes being made to the financial inputs under this system; and (ii) did not effectively design and implement internal controls over the review, approval, and documentation of manual journal entries by individuals separate from the preparer at our Produce segment which resulted in the unmitigated risk of management override of manual journal entries.

During the quarter ended March 31, 2025, the Company’s management designed and implemented corrective actions to remediate the control deficiencies that contributed to the material weaknesses.

The remediation actions included:

##### *Information Technology*

- Enhanced risk assessment and control identification procedures for our Produce segment’s system environment;
- Enhanced existing controls to address the design and operation of IT general controls within our Produce segment’s IT environment in order to, among other things, limit privileged user access; and
- Implemented controls around timely identification and review of system access and changes. Enhancing and maintaining policy documentation underlying IT general controls to promote knowledge transfer upon personnel and function changes.

##### *Journal Entries*

- Enhanced existing controls to ensure that manual journal entries recorded in our financial records are properly reviewed and approved, preventing the potential for management override of controls.

During the year ended December 31, 2025, the Company completed our testing of the operating effectiveness of the implemented controls and found them to be effective. Based on the steps implemented, management concluded that we had remediated the previously disclosed material weaknesses as of March 31, 2025.

In connection with the transaction to privatize certain assets and operations of its Produce segment to Vanguard Food, LP on May 30, 2025, management of the Company made the decision to pause the ITGCs implemented in Q1 2025 from June 29 to August 12, 2025. During this period, the newly implemented controls were not operating and the previously identified material weakness existed. As of the time of this filing, the controls implemented during the quarter ended March 31, 2025 have been reestablished. Accordingly, management concluded that we had remediated the previously disclosed material weakness as of December 31, 2025.

#### **Changes in Internal Control Over Financial Reporting**

Except for the changes in connection with our implementation of the remediation plan and the remediation of our previously identified material weakness as discussed above, there have been no other changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

#### **Inherent Limitations of Internal Controls**

Our management, including the Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our

company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

**ITEM 9B. OTHER INFORMATION**

During the quarter ended December 31, 2025, no director or officer (as defined in Rule 16a-1(f) promulgated under the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K).

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required to be furnished by this Item 10 is incorporated herein by reference to the definitive proxy statement for our annual meeting of shareholders (the “2026 Proxy Statement”) to be filed within 120 days of December 31, 2025 (subject to any applicable extension period to the extent such 120th date is not a business day).

The information required by this item regarding delinquent filers pursuant to Item 405 of Regulation S-K will be included under the caption “Delinquent Section 16(a) Reports” in the 2026 Proxy Statement and is incorporated herein by reference.

The Company adopted a code of ethics that applies to all our employees, officers, and directors, including our Chief Executive Officer and Chief Financial Officer. The Code of Ethics and Whistleblowing Policy (“Code”) is available on our Company website at <http://www.villagefarms.com> under the Governance section of our Investors page. The Code covers whistle blowing and provides an anonymous means for employees and officers to report violations of the Code and other corporate policies. The Company has also developed the Insider Trading Policy to provide guidelines on employee trading in the Company’s securities. The Insider Trading Policy is designed to promote compliance with insider trading laws, rules and regulations and any applicable listing standards. Any amendments to the Insider Trading Policy, Code, or information about any waivers granted to directors or executive officers with respect to the Code, will be posted on the Company’s website.

#### **ITEM 11. EXECUTIVE COMPENSATION**

The information required to be furnished by this Item 11 is incorporated herein by reference to the 2026 Proxy Statement to be filed within 120 days of December 31, 2025 (subject to any applicable extension period to the extent such 120th date is not a business day).

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required to be furnished by this Item 12 is incorporated herein by reference to the 2026 Proxy Statement to be filed within 120 days of December 31, 2025 (subject to any applicable extension period to the extent such 120th date is not a business day).

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required to be furnished by this Item 13 is incorporated herein by reference to the 2026 Proxy Statement to be filed within 120 days of December 31, 2025 (subject to any applicable extension period to the extent such 120th date is not a business day).

#### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required to be furnished by this Item 14 is incorporated herein by reference to the 2026 Proxy Statement to be filed within 120 days of December 31, 2025 (subject to any applicable extension period to the extent such 120th date is not a business day).

**PART IV.**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a) Documents filed as part of this report.

1. Financial Statements.

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<a href="#"><u>Consolidated Statements of Operations and Comprehensive Income (Loss)</u></a>	91
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## 2. Financial Statement Schedules.

All schedules are omitted because they are not applicable, or the required information is shown in the Financial Statements or notes thereto.

### (b) Exhibits

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

- 3.1 [Articles of Continuance \(incorporated by reference to Exhibit 3.1 of the Company's Annual Report on Form 10-K filed on March 9, 2023\).](#)
- 3.2 [By-Law No. 4 of Village Farms International, Inc. \(incorporated by reference to Appendix D of the Company's Proxy Statement, filed on April 19, 2022\)](#)
- 4.1 [Description of Common Shares \(incorporated by reference to Exhibit 4.1 of the Company's Annual Report on Form 10-K filed on March 9, 2023\).](#)
- 4.2 [Securityholders' Agreement, as amended and restated on December 31, 2009 \(incorporated by reference to Exhibit 4.3 of the Company's Annual Report on Form 10-K filed on April 1, 2020\)](#)
- 4.3 [Form of Warrant \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 10, 2020\).](#)
- 4.4 [Form of Warrant \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 30, 2023\).](#)
- 10.1 [Credit Facility Agreement by and between Village Farms Canada Limited Partnership and Farm Credit Canada, dated March 28, 2013 \(incorporated by reference to Exhibit 10.2 of the Company's Annual Report on Form 10-K filed on April 1, 2020\)](#)
- 10.2 [Amendment to Credit Agreement by and between Village Farms Canada Limited Partnership and Village Farms, L.P. and Farm Credit Canada, dated March 24, 2016 \(incorporated by reference to Exhibit 10.4 of the Company's Annual Report on Form 10-K filed on April 1, 2020\)](#)
- 10.3 [Amendment and Restated Credit Agreement by and between Village Farms International, Inc. and Village Farms, L.P. and Farm Credit Canada, dated March 31, 2025 \(incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on May 12, 2025\).](#)
- 10.4 [Second Amended and Restated Credit Agreement by and between Village Farms Canada Limited Partnership and Village Farms, L.P. and Bank of Montreal, dated May 24, 2024 \(incorporated by reference to Exhibit 10.2 to the Company Quarterly Report on Form 10-Q filed on August 8, 2024\) ^](#)
- 10.5 [Form of Indemnification Agreement \(incorporated by reference to Exhibit 10.6 to the Company Annual Report on Form 10-K filed on March 13, 2024\). +](#)
- 10.6 [Credit Agreement, dated as of February 7, 2019, by and between Pure Sun Farms Corp., Bank of Montreal and Farm Credit Canada. \(incorporated by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K filed on March 16, 2021\).](#)
- 10.7 [First Amended and Restated Credit Agreement, dated as of March 30, 2020, by and between Pure Sun Farms Corp., Bank of Montreal, Farm Credit Canada and Canada Imperial Bank of Commerce. \(incorporated by reference to Exhibit 10.11 of the Company's Annual Report on Form 10-K filed on March 16, 2021\).](#)
- 10.8 [Second Amendment and Restated Credit Agreement, dated as of June 30, 2020, by and between Pure Sunfarms Corp., Bank of Montreal, Farm Credit Canada and Canada Imperial Bank of Commerce. \(incorporated by reference to Exhibit 10.12 of the Company's Annual Report on Form 10-K filed on March 16, 2021\).](#)
- 10.9 [Third Amended and Restated Credit Agreement, dated as of March 15, 2021, by and between Pure Sunfarms Corp., Bank of Montreal, Farm Credit Canada and Canadian Imperial Bank of Commerce. \(Incorporated by reference to Exhibit 10.17 of the Company's Annual Report on Form 10-K/A on March 18, 2021\).](#)

- 10.10 [Fourth Amended and Restated Credit Agreement, dated as of May 5, 2023, by and between Pure Sunfarms Corp., Bank of Montreal, Farm Credit Canada and Canadian Imperial Bank of Commerce \(incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on May 10, 2023\).](#)
- 10.11 [Fifth Amended and Restated dated as of February 20, 2026, by and between Pure Sunfarms Corp., Bank of Montreal, Farm Credit Canada and Canadian Imperial Bank of Commerce^](#)
- 10.12 [First Supplemental Credit Agreement, dated May 30, 2020, by and between Pure Sunfarms Corp., Bank of Montreal and Farm Credit Canada. \(incorporated by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K filed on March 16, 2021\).](#)
- 10.13 [First Supplemental Credit Agreement, dated October 30, 2020, by and between Pure Sunfarms Corp., Bank of Montreal and Farm Credit Canada. \(incorporated by reference to Exhibit 10.14 of the Company's Annual Report on Form 10-K filed on March 16, 2021\).](#)
- 10.14 [Credit Agreement, dated as of April 17, 2025, by and between Pure Sun Farms Corp., a Canadian chartered bank, and Farm Credit Canada \(incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on May 12, 2025\)](#)
- 10.15 [BDC Loan Agreement, dated December 30, 2020, by and between Pure Sunfarms Corp. and Bank of Montreal. \(incorporated by reference to Exhibit 10.15 of the Company's Annual Report on Form 10-K filed on March 16, 2021\).](#)
- 10.16 [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 \(incorporated by reference to Exhibit 10.17 of the Company's Annual Report on Form 10-K/A filed on March 13, 2022\).^](#)
- 10.17 [Share Purchase Agreement by and among Village Farms International, Inc., ROSE LifeScience Inc. and the shareholders of ROSE LifeScience, dated November 15, 2021 \(incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on November 19, 2021\). ^](#)
- 10.18 [Unanimous Shareholder Agreement by and among Village Farms International, Inc., ROSE LifeScience Inc. and the shareholders of ROSE LifeScience, dated November 15, 2021 \(incorporated by reference to Exhibit 2.2 of the Company's Current Report on Form 8-K filed on November 19, 2021\) ^](#)
- 10.19 [First Amendment to Unanimous Shareholder Agreement by and among Village Farms International, Inc., ROSE LifeScience Inc. and the shareholders of ROSE LifeScience, dated December 21, 2022 \(incorporated by reference to Exhibit 10.18 of the Company's Annual Report on Form 10-K filed on March 9, 2023\).](#)
- 10.20 [Framework Agreement Regarding Partnership and Membership Interests, Contributions, and Exchanges by and Among Village Farms International, Inc., Village Farms Canada Limited Partnership, and Village Farms, L. P; Vanguard Food GP LLC, Vanguard Food LP, Vanguard Food Holdings LLC, Vanguard Food LLC, and Vanguard Produce Canada ULC; and Kennedy Lewis Capital Partners Master Fund II LP; and Sweat Equities SPV LLC dated May 12, 2025 \(incorporated by reference to the Exhibit 2.1 to the Company's Form 8-K/A filed with the SEC on May 22, 2025\).](#)
- 10.21 [Amended and Restated Limited Partnership Agreement of Vanguard Food LP, dated May 30, 2025 \(incorporated by reference to the Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 11, 2025\).](#)
- 10.22 [Amended and Restated Limited Liability Company Agreement by and among Vanguard Food GP LLC, Sweat Equities SPV LLC, Kenedy Lewis Capital Partners Master Fund II LP, and Village Farms International Inc., dated May 30, 2025 \(incorporated by reference to the Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 11, 2025\).](#)
- 10.23 [Transition Service Agreement by and Among Village Farms International, Inc., Village Farms, L.P., Village Farms Canada Limited Partnership, Vanguard Food LP, Vanguard Food GP LLC, Vanguard Food Holdings LLC, Vanguard Food LLC, and Vanguard Produce Canada ULC, dated May 30, 2025 \(incorporated by reference to the Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 11, 2025\).](#)
- 10.24 [Marfa Sublease Agreement between Agro Power Development, Inc. and Vanguard Food LLC., dated May 30, 2025 \(incorporated by reference to the Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 11, 2025\).](#)
- 10.25 [Sales, Marketing & Distribution Agreement, by and among Village Farms Canada Limited Partnership and Vanguard Produce Canada ULC, dated May 30, 2025 \(incorporated by reference to the Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 11, 2025\).](#)

- 10.26 [Amended and Restated Share-based Compensation Plan dated March 15, 2021 and adopted June 10, 2021 \(incorporated by reference to Appendix D of the Company's Proxy Statement filed on May 7, 2021\).](#)<sup>+</sup>
- 10.27 [Village Farms International, Inc. Share-based Compensation Plan adopted on December 31, 2009 \(incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K filed on April 1, 2020\).](#)<sup>+</sup>
- 10.28 [Employment Agreement, dated as of September 1, 2023, by and between Stephen C. Ruffini and the Company \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 8, 2023\).](#)
- 10.29 [Employment Agreement, dated as of July 13, 2020, by and between Michael A. DeGiglio and the Company \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on July 14, 2020\).](#)<sup>+</sup>
- 10.30 [Employment Agreement by and between Village Farms, L.P. and Michael A. DeGiglio, dated August 15, 2024 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 19, 2024\).](#) <sup>+</sup>
- 10.31 [Employment Agreement by and between Bret Wiley and the Company, dated June 1, 2018 \(incorporated by reference to Exhibit 10.9 of the Company's Annual Report on Form 10-K filed on April 1, 2020\).](#)<sup>+</sup>
- 10.32 [Employment Agreement, dated as of October 20, 2023, by and between Orville Bovenschen and the Company \(incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on November 8, 2023\).](#)<sup>+</sup>
- 10.33 [Employment Agreement dated as of June 25, 2024, by and between Ann Gillin Lefever and the Company \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on June 28, 2024\).](#)<sup>+</sup>
- 19.1 [Insider Trading Policy \(incorporated by reference to Exhibit 19.1 to the Company Annual Report on Form 10-K filed on March 13, 2024\).](#)
- 21.1 [List of Subsidiaries.](#)
- 23.1 [Consent of Independent Registered Public Accounting Firm KPMG, LLP](#)
- 23.2 [Consent of Independent Registered Public Accounting Firm PricewaterhouseCoopers LLP](#)
- 24.1 [Powers of Attorney \(included on signature page\).](#)
- 31.1 [Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 97.1 [Clawback Policy \(incorporated by reference to Exhibit 97.1 to the Company Annual Report on Form 10-K filed on March 13, 2024\).](#)
- 101.INS Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
- 101.SCH Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
- 104 Cover page formatted as inline XBRL and contained in Exhibit 101

<sup>+</sup> Indicates management contract or compensatory plan.

<sup>^</sup> Certain confidential portions of this exhibit have been redacted pursuant to Item 601(b)(10) of Regulation S-K. The Company agrees to furnish to the Securities and Exchange Commission a copy of any omitted portions of the exhibit upon request.

## ITEM 16. FORM 10-K SUMMARY

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on the 12th day of March 2026.

### Village Farms International, Inc.

By: /s/ Michael A. DeGiglio  
Name: Michael A. DeGiglio  
Title: Chief Executive Officer and  
Director

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael A. DeGiglio and Stephen C. Ruffini, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on March 12, 2026.

<u>Signature</u>	<u>Title</u>
<u>/s/ Michael A. DeGiglio</u> Michael A. DeGiglio	Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ Stephen C. Ruffini</u> Stephen C. Ruffini	Chief Financial Officer and Director (Principal Financial and Accounting Officer)
<u>/s/ John R. McLernon</u> John R. McLernon	Director, Chair
<u>/s/ John P. Henry</u> John P. Henry	Director
<u>/s/ Dave Holewinski</u> David Holewinski	Director
<u>/s/ Christopher C. Woodward</u> Christopher C. Woodward	Director
<u>/s/ Carolyn Hauger</u> Carolyn Hauger	Director
<u>/s/ Kathleen M. Mahoney</u> Kathleen M. Mahoney	Director

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders  
Village Farms International, Inc.:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated statements of financial position of Village Farms International, Inc. and subsidiaries (the Company) as of December 31, 2025 and 2024, the related consolidated statements of operations and comprehensive income (loss), stockholders' equity and mezzanine equity, and cash flows for each of the years in the two-year period ended December 31, 2025, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2025, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 12, 2026 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### *Evaluation of goodwill impairment indicators*

As discussed in Notes 1 and 6 to the consolidated financial statements, the Company's goodwill balance was \$44,365 thousand as of December 31, 2025. Goodwill is tested for impairment annually or when events or changes in circumstances indicate that the carrying value of a reporting unit exceeds its fair value. The Company generally elects to utilize the optional qualitative assessment for goodwill and considers external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment. At December 31, 2025 the Company concluded that no impairment indicators existed as no events or circumstances occurred that would, more likely than not, reduce the fair value of the reporting units to be below their carrying amounts.

We identified the evaluation of goodwill impairment indicators as a critical audit matter. The evaluation of potential impairment indicators, including overall financial performance and market capitalization required a higher level of subjective auditor judgment. These potential impairment indicators could have a significant effect on the Company's qualitative assessment and the determination of whether further quantitative analysis of goodwill impairment was required.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of the internal control related to the Company's assessment of potential impairment indicators. We evaluated the Company's qualitative assessment for its reporting units by:

- comparing the Company's market capitalization to their overall book value
- comparing the actual financial performance of the reporting unit to the prior year projected financial information used in the prior year quantitative goodwill impairment analysis

/s/ KPMG LLP

We have served as the Company's auditor since 2024.

Orlando, Florida  
March 12, 2026

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Village Farms International, Inc.

### *Opinion on the Financial Statements*

We have audited the consolidated statements of operations and comprehensive income (loss), of changes in shareholders' equity and mezzanine equity and of cash flows of Village Farms International, Inc. and its subsidiaries (the Company) for the year ended December 31, 2023, including the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of the Company for the year ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants  
Vancouver, Canada

March 13, 2024, except for the effects of the change in composition of reportable segments and change in segment profit measure discussed in note 14 (not presented herein) to the consolidated financial statements appearing under item 15 of the Company's 2024 annual report on Form 10-K, as to which the date is March 13, 2025, and except for the effects of discontinued operations discussed in note 10 to the consolidated financial statements, as to which the date is March 12, 2026.

We served as the Company's auditor from 2006 to 2024.

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders  
Village Farms International, Inc.:

### *Opinion on Internal Control Over Financial Reporting*

We have audited Village Farms International, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2025 and 2024, the related consolidated statements of operations and comprehensive income (loss), stockholders' equity and mezzanine equity, and cash flows for each of the years in the two-year period ended December 31, 2025, and the related notes (collectively, the consolidated financial statements), and our report dated March 12, 2026 expressed an unqualified opinion on those consolidated financial statements.

### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Orlando, Florida  
March 12, 2026

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

	December 31, 2025	December 31, 2024
<b>ASSETS</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 81,189	\$ 24,631
Restricted cash	5,063	—
Trade receivables, net	23,151	22,160
Inventories, net	41,519	41,256
Other receivables	324	247
Prepaid expenses and deposits	3,191	2,806
Current assets of discontinued operations (Note 10)	—	24,919
Total current assets	<u>154,437</u>	<u>116,019</u>
<i>Non-current assets</i>		
Property, plant and equipment, net	185,712	175,226
Investments	6,276	2,656
Goodwill	44,365	42,315
Intangibles, net	23,647	25,105
Deferred tax asset	694	1,005
Right-of-use assets	4,066	4,372
Other assets	3,899	2,178
Non-current assets of discontinued operations (Note 10)	—	20,430
Total assets	<u>\$ 423,096</u>	<u>\$ 389,306</u>
<b>LIABILITIES</b>		
<i>Current liabilities</i>		
Line of credit	\$ —	\$ 4,000
Trade payables	15,747	11,254
Current maturities of long-term debt	4,885	8,142
Accrued sales taxes	8,695	8,740
Accrued loyalty program	541	1,029
Accrued liabilities	13,419	8,972
Lease liabilities - current	1,198	1,060
Income tax payable	12,151	51
Other current liabilities	1,950	1,053
Current liabilities of discontinued operations (Note 10)	—	17,918
Total current liabilities	<u>58,586</u>	<u>62,219</u>
<i>Non-current liabilities</i>		
Long-term debt	28,769	32,420
Deferred tax liability	18,494	19,940
Lease liabilities - non-current	3,855	4,199
Other liabilities	3,330	2,196
Non-current liabilities of discontinued operations (Note 10)	—	4,374
Total liabilities	<u>113,034</u>	<u>125,348</u>
Commitments and contingencies (Note 12)		
<b>MEZZANINE EQUITY</b>		
Redeemable non-controlling interests	10,164	9,953
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, no par value per share - unlimited shares authorized; 115,722,312 shares issued and outstanding at December 31, 2025 and 112,337,049 shares issued and outstanding at December 31, 2024.	392,380	387,349
Additional paid in capital	29,374	30,604
Accumulated other comprehensive loss	(9,281)	(18,932)
Retained earnings	(112,575)	(145,016)
Total shareholders' equity	<u>299,898</u>	<u>254,005</u>
Total liabilities, mezzanine equity and shareholders' equity	<u>\$ 423,096</u>	<u>\$ 389,306</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Village Farms International, Inc.**  
**Consolidated Statements of Operations and Comprehensive Income (Loss)**  
**For the Years Ended December 31,**  
**(In thousands of United States dollars, except share and per share data)**

	2025	2024	2023
Sales	\$ 215,937	\$ 195,907	\$ 163,109
Cost of sales	(128,255)	(150,106)	(115,157)
Gross profit	87,682	45,801	47,952
Selling, general and administrative expenses	(60,293)	(61,748)	(56,714)
Interest expense	(2,704)	(3,365)	(4,495)
Interest income	1,163	914	1,018
Foreign exchange gain (loss)	1,555	(2,843)	602
Other income	4,173	4,015	32
Goodwill and intangible asset impairments	—	(11,939)	(14,020)
Other impairments	(217)	(439)	—
Income (loss) before taxes and loss from equity method investments	31,359	(29,604)	(25,625)
(Provision for) recovery of income taxes	(10,371)	1,662	(7,451)
Income from equity method investments	—	—	—
Income (loss) from continuing operations	20,988	(27,942)	(33,076)
Income (loss) from discontinued operations, net of tax	11,117	(7,702)	(1,743)
Income (loss) including non-controlling interests	32,105	(35,644)	(34,819)
Less: net loss (income) attributable to non-controlling interests, net of tax	336	(207)	21
Net income (loss) attributable to Village Farms International, Inc. shareholders	<u>\$ 32,441</u>	<u>\$ (35,851)</u>	<u>\$ (34,798)</u>
Basic income (loss) per share attributable to Village Farms International, Inc. shareholders from:			
Continuing operations	\$ 0.19	\$ (0.25)	\$ (0.30)
Discontinued operations	0.10	(0.07)	(0.02)
Basic income (loss) per share attributable to Village Farms International, Inc. shareholders	<u>\$ 0.29</u>	<u>\$ (0.32)</u>	<u>\$ (0.32)</u>
Diluted income (loss) per share attributable to Village Farms International, Inc. shareholders from:			
Continuing operations	\$ 0.18	\$ (0.25)	\$ (0.30)
Discontinued operations	0.09	(0.07)	(0.02)
Diluted income (loss) per share attributable to Village Farms International, Inc. shareholders	<u>\$ 0.27</u>	<u>\$ (0.32)</u>	<u>\$ (0.32)</u>
Weighted average number of common shares used in the computation of loss per share (in thousands):			
Basic	<u>113,283</u>	<u>111,370</u>	<u>108,728</u>
Diluted	<u>118,545</u>	<u>111,370</u>	<u>108,728</u>
Income (loss) including non-controlling interests	\$ 32,105	\$ (35,644)	\$ (34,819)
Other comprehensive income (loss):			
Foreign currency translation adjustment	10,198	(16,265)	4,237
Comprehensive income (loss) including non-controlling interests	42,303	(51,909)	(30,582)
Less: comprehensive (income) loss attributable to non-controlling interests	(206)	665	(436)
Comprehensive income (loss) attributable to Village Farms International, Inc. shareholders	<u>\$ 42,097</u>	<u>\$ (51,244)</u>	<u>\$ (31,018)</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Village Farms International, Inc.**  
**Consolidated Statements of Changes in Shareholders' Equity and Mezzanine Equity**  
**For the Years Ended December 31, 2025, 2024 and 2023**  
(In thousands of United States dollars, except for shares outstanding)

	Number of Common Shares (in thousands)	Common Stock	Additional Paid In Capital	Accumulated Other Comprehensiv e (Loss) Income	Retained Earnings	Non- controlling Interest	Total Permanent Shareholders ' Equity	Mezzanine Equity
Balance at December 31, 2022	91,789	\$ 372,429	\$ 13,372	\$ (8,371)	\$ (74,367)	\$ 767	\$ 303,830	\$ 16,164
Shares issued in public offering, net of issuance costs	18,350	14,207	—	—	—	—	14,207	—
Warrants issued in public offering	—	—	9,128	—	—	—	9,128	—
Shares issued on exercise of stock options	100	83	—	—	—	—	83	—
Share-based compensation	10	—	3,111	—	—	—	3,111	—
Cumulative translation adjustment	—	—	—	4,831	—	72	4,903	(666)
Net (loss) income	—	—	—	—	(34,798)	(190)	(34,988)	169
Balance at December 31, 2023	<u>110,249</u>	<u>\$ 386,719</u>	<u>\$ 25,611</u>	<u>\$ (3,540)</u>	<u>\$ (109,165)</u>	<u>\$ 649</u>	<u>\$ 300,274</u>	<u>\$ 15,667</u>
Share-based compensation	2,088	630	3,117	—	—	—	3,747	—
Acquisition of redeemable non- controlling interest	—	—	2,193	—	—	—	2,193	(5,209)
Acquisition of non-controlling interest	—	—	(317)	—	—	(489)	(806)	—
Cumulative translation adjustment	—	—	—	(15,392)	—	—	(15,392)	(873)
Net (loss) income	—	—	—	—	(35,851)	(160)	(36,011)	368
Balance at December 31, 2024	<u>112,337</u>	<u>387,349</u>	<u>30,604</u>	<u>(18,932)</u>	<u>(145,016)</u>	<u>—</u>	<u>254,005</u>	<u>9,953</u>
Shares Repurchased	(813)	—	(2,971)	—	—	—	(2,971)	—
Share-based compensation	700	—	1,741	—	—	—	1,741	—
Shares issued on exercise of stock options	792	817	—	—	—	—	817	—
Shares issued on exercise of warrants	2,816	4,646	—	—	—	—	4,646	—
Shares surrendered for taxes	(110)	(432)	—	—	—	—	(432)	—
Cumulative translation adjustment	—	—	—	9,651	—	—	9,651	547
Net income (loss)	—	—	—	—	32,441	—	32,441	(336)
Balance at December 31, 2025	<u>115,722</u>	<u>\$ 392,380</u>	<u>\$ 29,374</u>	<u>\$ (9,281)</u>	<u>\$ (112,575)</u>	<u>\$ —</u>	<u>\$ 299,898</u>	<u>\$ 10,164</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Village Farms International, Inc.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31,**  
**(In thousands of United States dollars)**

	2025	2024	2023
<b>Cash flows provided by (used in) operating activities:</b>			
Income (loss) from continuing operations including non-controlling interests	\$ 20,988	\$ (27,942)	\$ (33,076)
Adjustments to reconcile loss including non-controlling interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	16,379	16,723	14,090
Amortization of deferred charges	116	10	136
Interest expense	2,704	3,365	4,495
Interest paid on long-term debt	(2,779)	(4,203)	(4,700)
Unrealized foreign exchange loss	13	233	64
Goodwill and intangible asset impairments	—	11,939	14,020
Inventory and other impairments	217	10,961	—
Non-cash lease expense	951	731	1,193
Share-based compensation	1,741	3,747	3,111
Deferred income taxes	(2,074)	(1,739)	7,046
Changes in non-cash working capital items	19,856	(97)	1,254
Net cash provided by operating activities from continuing operations	<u>58,112</u>	<u>13,728</u>	<u>7,633</u>
<b>Cash flows (used in) provided by investing activities:</b>			
Purchases of property, plant and equipment	(18,219)	(7,168)	(3,604)
Purchases of intangibles	(395)	(158)	—
Equity investment	—	—	(548)
Repayment of note receivable	—	—	835
Net cash used in investing activities from continuing operations	<u>(18,614)</u>	<u>(7,326)</u>	<u>(3,317)</u>
<b>Cash flows (used in) provided by financing activities:</b>			
Proceeds from borrowings	19,295	—	—
Repayments on borrowings	(27,160)	(5,709)	(9,281)
Purchase of non-controlling interest	—	(3,817)	—
Proceeds from issuance of common stock and warrants	—	—	24,772
Issuance costs	—	—	(1,437)
Share repurchases	(2,971)	—	—
Proceeds from exercise of warrants and stock options	5,031	—	83
Other financing activities	(546)	—	—
Net cash used in (provided by) financing activities from continuing operations	<u>(6,351)</u>	<u>(9,526)</u>	<u>14,137</u>
<b>Discontinued Operations</b>			
Net cash (used in) provided by operating activities from discontinued operations	(8,388)	(3,381)	(2,318)
Net cash provided by (used in) investing activities from discontinued operations	38,710	(2,914)	(2,914)
Net cash used in financing activities from discontinued operations	(4,000)	—	—
Net cash flows provided by discontinued operations	<u>26,322</u>	<u>(6,295)</u>	<u>(5,232)</u>
Effect of exchange rate changes on cash and cash equivalents	2,152	(1,241)	394
<b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>61,621</b>	<b>(10,660)</b>	<b>13,615</b>
<b>Cash, cash equivalents and restricted cash, beginning of period</b>	<b>24,631</b>	<b>35,291</b>	<b>21,676</b>
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b><u>\$ 86,252</u></b>	<b><u>\$ 24,631</u></b>	<b><u>\$ 35,291</u></b>
<b>Supplemental disclosure of non-cash activities:</b>			
<b>Non-Cash - investing and financing activities</b>			
Operating lease right-of-use assets	<u>\$ 691</u>	<u>\$ 117</u>	<u>\$ 5,578</u>
Operating lease liabilities	<u>\$ 691</u>	<u>\$ 117</u>	<u>\$ 5,578</u>
<b>Supplemental cash flow information</b>			
Income Taxes Paid	<u>\$ 93</u>	<u>\$ —</u>	<u>\$ —</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

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

## 1. BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

### *Nature of Business*

Village Farms International, Inc. ("VFF" and, together with its subsidiaries, the "Company", "we", "us", or "our") is a corporation existing under the Ontario Business Corporations Act. VFF's principal operating subsidiaries as of December 31, 2025 were Pure Sunfarms Corp. ("Pure Sunfarms"), Balanced Health Botanicals, LLC ("Balanced Health"), Leli Holland B.V. ("Leli"), Village Farms Canada Limited Partnership ("VFCLP"), Village Farms, L.P., and VF Clean Energy, Inc. ("VFCE"). VFF also owns an 80% interest in Rose LifeScience Inc. ("Rose").

The address of the registered office of VFF is 79 Wellington Street West, Suite 3300, Toronto, Ontario, Canada, M5K 1N2.

The address of the principal executive office of VFF is 90 Colonial Center Pkwy, Lake Mary, Florida, United States, 32746.

VFF's wholly owned subsidiary, Pure Sunfarms, is a vertically integrated licensed producer and supplier of cannabis products sold to customers throughout Canada and internationally. Through its 80% ownership interest of Rose, the Company has a substantial presence in the Province of Quebec as a cannabis supplier, producer and commercialization expert. The Company's wholly owned subsidiary, Balanced Health, develops and sells high quality, cannabidiol ("CBD") based products including ingestible, edible and topical applications within the U.S. Its wholly owned subsidiary, Leli, is a vertically integrated licensed producer and supplier of cannabis products sold to coffee shops in the Netherlands. VFF owns and operates sophisticated, highly intensive agricultural greenhouse facilities in British Columbia, where it produces premium-quality tomatoes.

### *Basis of Presentation and Principles of Consolidation*

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), and include VFF and its subsidiaries and include the accounts of all majority owned subsidiaries over which the Company exercises control and, when applicable, entities in which the Company has a controlling financial interest. All significant intercompany balances and transactions have been eliminated in consolidation. Other parties' interests in entities that VFF consolidates are reported as non-controlling interests within equity, except for mandatorily redeemable non-controlling interests, which are classified as temporary mezzanine equity. Net income or loss attributable to non-controlling interests is reported as a separate line item below net income or loss. Investments in entities for which the Company does not have a controlling financial interest, but over which it has the ability to exert significant influence, are accounted for under the equity method of accounting. For equity investees in which the Company has an undivided interest in the assets, liabilities and profits or losses of an unincorporated entity, but does not exercise control over the entity, the Company consolidates its proportional interest in the accounts of the entity. When appropriate, prior year amounts are reclassified to conform with the current period presentation.

As of December 31, 2025, the Company determined that certain assets that had been disposed of met the criteria for discontinued operations presentation. For all periods presented, the operating results associated with the assets disposed of have been reclassified into net income (loss) from discontinued operations, net of income taxes, in the Consolidated Statements of Operations and Comprehensive Income (Loss). The associated assets and liabilities have been reflected as current and long-term assets and liabilities of discontinued operations in the Consolidated Statements of Financial Position, and the cash flows from the Company's discontinued operations are presented in the Consolidated Statements of Cash Flows for all periods presented.

Certain prior period balances related to the Company's reportable segments and discontinued operations have been reclassified to conform to the current presentation in the financial statements and accompanying notes. The notes to the Consolidated Financial Statements are presented on a continuing operations basis unless otherwise noted. Refer to Note 10 Discontinued Operations and Disposals for additional information on the Company's discontinued operations.

### *Translation of Foreign Currencies*

The assets and liabilities of foreign subsidiaries with a functional currency other than the U.S. dollar are translated into U.S. dollars at period-end exchange rates, with resulting translation gains or losses included within other comprehensive income or loss. Revenue and expenses are translated into U.S. dollars at average rates of exchange during the applicable period. Substantially all of the Company's foreign operations use their local currency as their functional currency. For foreign operations for which the local currency is not the functional currency, the operation's non-monetary assets are remeasured into U.S. dollars at historical exchange rates. All other accounts are remeasured at current exchange rates, with both gains or losses from remeasurement and currency gains or losses from transactions executed in currencies other than the functional currency included in foreign exchange gain (loss).

In these consolidated financial statements, "\$" means U.S. dollars and "C\$" means Canadian dollars, unless otherwise noted.

The exchange rates used to translate from Canadian dollars to U.S dollars is shown below:

	As of December 31,		
	2025	2024	2023
Spot rate	0.7294	0.6957	0.7543
For the year ended	0.7156	0.7301	0.7410

### ***Management Estimates***

The preparation of consolidated financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on historical experience and various other assumptions that management believes to be reasonable under the circumstances, including the potential future effects of macroeconomic trends and events, such as inflation and interest rate levels; supply chain disruptions; uncertainty from potential recessionary effects; climate-related matters; market, industry and regulatory factors, including permitting issues; global events, such as the ongoing military conflict in Ukraine as well as potential tariff wars; and public health matters. These estimates form the basis for making judgments about the Company's operating results and the carrying values of assets and liabilities that are not readily apparent from other sources. While management believes that such estimates are reasonable when considered in conjunction with the Company's consolidated financial position and results of operations taken as a whole, actual results could differ materially from these estimates.

### ***General Economic, Regulatory and Market Conditions***

The Company has experienced, and may continue to experience, direct and indirect negative effects on its business and operations from negative economic, regulatory and market conditions, including inflationary effects on fuel prices, labor and materials costs, elevated interest rates, potential recessionary impacts and supply chain disruptions that could negatively affect demand for new projects and/or delay existing project timing or cause increased project costs. The extent to which general economic, regulatory and market conditions could affect the Company's business, operations and financial results is uncertain as it will depend upon numerous evolving factors that management may not be able to accurately predict, and, therefore, any future impacts on the Company's business, financial condition and/or results of operations cannot be quantified or predicted with specificity.

### ***Significant Accounting Policies***

The following is a summary of significant accounting policies followed in the preparation of the accompanying consolidated financial statements.

#### **Revenue Recognition**

The Company's produce and cannabis revenue transactions consist of a single performance obligation to transfer promised goods at a fixed price. Quantities to be delivered to the customer are determined at a point near the date of delivery through purchase orders received from the customer. The Company recognizes revenue when it has fulfilled a performance obligation, which is typically when the customer receives the goods. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring the goods. The amount of revenue recognized is measured at the fair value of the consideration received or receivable, reduced for excise duty, returns, and other customer credits, such as trade discounts and volume rebates. Payment terms are consistent with terms standard to the markets the Company serves.

Direct-to-consumer product sales for loyalty members contain two distinct performance obligations for which the Company allocates the transaction price based on the relative stand-alone value of each performance obligation, such that both revenue related to the delivery of the underlying purchased goods and deferred revenue for loyalty points issued to the customer are recognized based on the allocated consideration of value, after giving consideration to loyalty point breakage. The loyalty liability represents a performance obligation to provide goods for free or at a discount to loyalty members in exchange for the redemptions of points earned from past activities.

Judgment is required in determining whether the Company is the principal or agent in certain transactions. We evaluate the presentation of revenue on a gross or net basis based on whether we control the service provided to the end-user and are the principal (i.e. "gross"), or we arrange for other parties to provide the service to the end-user and are an agent (i.e. "net").

For each identified performance obligation in the contract with the customer, we assess whether our agency or the third-party supplier is the principal or agent. We control the specified services before transferring those services to the customer and act as the principal if we are primarily responsible for fulfilling the promise to provide the specified good or service, have inventory risk, or discretion in establishing pricing. For performance obligations in which we act as principal, we record the gross amount billed to the customer within total revenue and the related incremental direct costs incurred as billable expenses.

If the third-party supplier, rather than the Company, is primarily responsible for the performance and deliverable to our customer, then we generally act as the agent and solely arrange for the third-party supplier to provide services to the customer. For performance obligations for which we act as the agent, we record our revenue as the net amount of our gross billings less pass-through expenses charged to a customer.

Revenue received from shipping and handling fees is reflected in net sales. Shipping and handling costs are included in cost of sales as incurred or at the time revenue is recognized for the related goods, whichever comes first.

The following table disaggregates the Company's net revenue by major source for the years ended:

<u>Classification</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<b>Cannabis:</b>			
Branded <sup>(1)</sup>	\$ 98,931	\$ 111,951	\$ 91,914
Non-Branded	24,857	28,827	15,457
International	37,893	6,137	4,600
U.S. Cannabis	14,439	17,390	20,330
Netherlands Cannabis	9,858	—	—
Other	2,029	1,941	2,059
Produce	26,295	28,909	28,749
Energy	1,635	752	—
Total Revenue	<u>\$ 215,937</u>	<u>\$ 195,907</u>	<u>\$ 163,109</u>

- (1) Branded revenues are shown net of excise tax on products. For the years ended December 31, 2025, 2024, and 2023, excise tax on products was \$59,950, \$71,953, and \$58,015, respectively.

### **Redeemable Non-Controlling Interest**

Non-controlling interest (“NCI”) in subsidiaries that are redeemable for cash or other assets outside of our control are classified as temporary mezzanine equity, outside of equity and liabilities. Initial measurement is at acquisition date fair value and subsequent measurement is at the greater of the carrying value or the redemption value. Changes in the redemption value are recognized immediately as they occur and the carrying amount of the redeemable NCI is adjusted to equal the redemption value at the end of each reporting period. This method views the end of the reporting period as if it were also the redemption date for the instrument. Increases or decreases in the estimated redemption amount are recorded with corresponding adjustments against equity and are reflected in the computation of earnings per share. However, the amount presented in temporary equity should be no less than the initial amount reported in temporary equity for the instrument.

### **Income Taxes**

The Company uses the asset and liability method of accounting for income taxes. Temporary differences arising between the tax basis of an asset or liability and its carrying amount on the Consolidated Statement of Financial Position are used to calculate future income tax assets and liabilities. This method also requires the recognition of deferred tax benefits, such as net operating loss carryforwards. Valuation allowances are recorded as appropriate to reduce deferred tax assets to the amount considered likely to be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to the taxable income (losses) in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment of the change. A tax benefit from an uncertain tax position is recognized only if we believe it is more likely than not that the position will be sustained on its technical merits. If the recognition threshold for the tax position is met, only the portion of the tax benefit that we believe is greater than 50 percent likely to be realized is recorded.

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash deposits held with banks, and other highly liquid short-term interest-bearing securities with maturities at the date of purchase of three months or less.

### **Restricted Cash**

Restricted cash, as of December 31, 2025, includes cash held in indemnity escrow with a financial institution (Note 10).

### **Trade Receivables and Allowance for Credit Losses**

Trade accounts receivable are recorded at the point control transfers and represent the amount of consideration we expect to receive in exchange for transferred goods and do not bear interest. We establish provisions for expected lifetime losses on accounts receivable at the time a receivable is recorded based on historical experience, customer credit quality and forecasted economic conditions. We regularly review our accounts receivable balances and the allowance for credit loss and establish or adjust the allowance as necessary using the specific identification method. We also evaluate the aggregation and risk characteristics of receivable pools and develop loss rates that reflect historical collections, current forecasts of future economic conditions over the time horizon we are exposed to credit risk, and payment terms or conditions that may materially affect future forecasts.

## Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventory includes capitalized production costs, including labor, materials, post-harvest costs and depreciation. Inventoriable costs are expensed to cost of goods sold on the Consolidated Statement of Operations in the same period as finished products are sold. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period when the write-down or loss occurs.

## Long-Lived Assets

The Company's long-lived assets consist primarily of property, plant and equipment and finite-lived intangible assets. Purchased property and equipment is recorded at cost, or, if acquired in a business combination, at the acquisition date fair value. Depreciation and amortization of property and equipment is computed using the straight-line method or declining balance method over the estimated useful lives of the respective assets. Leasehold improvements are depreciated over the shorter of the term of the lease or the estimated useful lives of the improvements. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for betterments and major improvements that extend the life of the related assets are capitalized and depreciated over the remaining useful lives of the assets. The carrying amounts of assets sold or retired and the related accumulated depreciation are eliminated in the year of disposal. Gains or losses, net, from the sale of property and equipment are included within other income (expense). Depreciation of property, plant and equipment is determined on the straight-line method or declining balance method over the following useful lives of the assets:

Classification	Estimated Useful Lives
Leasehold and land improvements	5-20 years
Buildings	4-30 years
Machinery and equipment	3-30 years

The Company's intangible assets are purchased and acquired through business combinations and have both finite and infinite useful lives. Finite-lived intangible assets are amortized over their useful lives, which are generally based on contractual or legal rights, using the straight-line method. Amortization of finite-lived intangible assets is determined on the straight-line method over the following useful lives of the assets:

Classification	Estimated Useful Lives
Licenses	5-22 years
Brand and trademarks	Indefinite
Customer relationships	10 years
Computer software	3-5 years

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Long-lived assets are grouped with other assets to the lowest level to which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. Management assesses the recoverability of the carrying cost of the assets based on a review of projected undiscounted cash flows. If an asset is held for sale, management reviews its estimated fair value less cost to sell. Fair value is determined using pertinent market information, including appraisals or broker's estimates, and/or projected discounted cash flows. In the event an impairment loss is identified, it is recognized based on the amount by which the carrying value exceeds the estimated fair value of the long-lived asset.

During the years ended December 31, 2025, 2024 and 2023 there were no material impairments of long-lived assets.

## Business Combinations

The determination of the fair value of net assets acquired in a business combination requires estimates and judgments of future cash flow expectations for the acquired business and the related identifiable tangible and intangible assets. Fair values of net assets acquired are calculated using expected cash flows and industry-standard valuation techniques. For current assets and current liabilities, book value is generally assumed to equal fair value. Goodwill is the amount by which consideration paid exceeds the fair value of acquired net assets. A bargain purchase gain results when the fair value of an acquired business' net assets exceeds its purchase price. Acquisition costs are expensed as incurred and are included within general and administrative expenses in the consolidated statements of operations.

Due to the time required to gather and analyze the necessary data for each acquisition, U.S. GAAP provides a "measurement period" of up to one year in which to finalize these fair value determinations. During the measurement period, preliminary fair value estimates may be revised if new information is obtained about the facts and circumstances existing as of the date of acquisition, or based on the final net assets and working capital of the acquired business, as prescribed in the applicable purchase agreement. Such adjustments may result in the recognition of, or an adjustment to the fair values of, acquisition-related assets and liabilities and/or consideration paid, and are referred to as "measurement period" adjustments. Measurement period adjustments are recorded to goodwill. Other revisions to fair value estimates that relate to facts and circumstances that occurred subsequent to the date of acquisition are reflected as income or expense, as appropriate.

## **Leases**

In the ordinary course of business, the Company enters into agreements that provide financing for machinery and equipment and for other of its facility, vehicle and equipment needs. The Company reviews all agreements to determine if a leasing arrangement exists. When a leasing arrangement is identified, a determination is made at inception as to whether the lease is an operating or a finance lease. A lease exists when a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In determining whether a lease exists, the Company considers whether a contract provides both the right to obtain substantially all of the economic benefits from the use of an asset and the right to direct the use of the asset. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of the minimum future lease payments over the expected term of the lease. The Company's lease assets are primarily concentrated in facilities, vehicles, machinery and equipment.

Leases with an initial term of twelve months or less are classified as short-term leases and are not recognized in the consolidated balance sheets unless the lease contains a purchase option that is reasonably certain to be exercised, or unless it is reasonably certain that the equipment will be leased for greater than twelve months. The volume of lease activity for leases with an initial term of twelve months or less varies depending upon the number of ongoing projects at a given time, as well as the location and type of equipment required in connection with those projects. Lease payments for short-term leases are recognized on a straight-line basis over the lease term, and primarily relate to equipment used on construction projects, for which the rentals are based on daily, weekly or monthly rental rates, and typically contain termination for convenience provisions. Lease determinations are reassessed in the event of a change in lease terms. The Company has a limited number of sublease, equipment and other leasing arrangements, which are not considered material to the consolidated financial statements.

As of December 31, 2025, the Company's leases have remaining lease terms of up to 6 years. Lease agreements may contain renewal clauses, which, if elected, generally extend the term of the lease for one to five years for both equipment and facility leases. Certain lease agreements may also contain options to purchase the leased property and/or options to terminate the lease. In addition, lease agreements may include periodic adjustments to payment amounts for inflation or other variables, or may require payments for taxes, insurance, maintenance or other expenses, which are generally referred to as non-lease components. The Company accounts for non-lease components together with the related lease components for all classes of leased assets. The Company's lease agreements do not contain significant residual value guarantees or material restrictive covenants. Asset retirement obligations related to the termination of leases are not material to the financial statements.

Lease term, discount rate, variable lease costs and future minimum lease payment determinations require the use of judgment, and are based on the facts and circumstances of each lease. Economic incentives, intent, past history and business need are among the factors considered to determine if renewal and/or purchase options are reasonably certain to be exercised. The majority of the Company's lease agreements do not explicitly state the discount rate implicit in the lease, therefore, the Company generally uses an incremental borrowing rate to determine the value of its lease obligations. The incremental borrowing rate represents the rate of interest that would be paid to borrow on a collateralized basis over a similar term. The Company determines its incremental borrowing rate using a portfolio approach based on information available as of the lease commencement date, including applicable lease terms and the current economic environment.

### **Finance Leases**

Finance lease assets are recorded within property and equipment, with a corresponding amount recorded within the Company's debt obligations. Finance lease expense is composed of depreciation expense on the leased asset and interest on the lease liability. Additions to finance leases are included within the supplemental disclosures of non-cash information in the consolidated statements of cash flows.

### **Operating Leases**

Operating lease right-of-use assets and liabilities are recorded on the consolidated balance sheets, with the related lease expense recognized over the term of the lease on a straight-line basis. Operating lease expense is recorded as rent expense, primarily within costs of revenue. Fixed costs for operating leases are composed of initial base rent amounts plus any fixed annual increases. Variable costs for operating leases consist primarily of common area maintenance expenses and taxes for facility leases. Certain of the Company's operating leases may contain purchase options, for which the purchase option price is generally considered to be at fair market value. From time to time, the Company may terminate a lease before the end of the lease term. Payments related to such early lease terminations are generally recorded within general and administration expenses.

### **Goodwill and Indefinite-Lived Intangible Assets**

The Company has goodwill and indefinite-lived intangible assets that have been recorded in connection with its acquisitions of businesses. Goodwill and indefinite-lived intangibles are allocated to reporting units and tested for impairment annually as of December 31 each year and when events or changes in circumstances indicate that the carrying value of a reporting unit exceeds its fair value. The Company generally elects to utilize the optional qualitative assessment for goodwill to determine whether it is more likely than not that the carrying value of a reporting unit is higher than its fair value. If it is determined that the fair value is more

likely than not to be lower than the carrying value, a quantitative goodwill impairment test is performed by determining the fair value of the reporting unit. The fair value of a reporting unit is determined using either the income approach utilizing estimates of discounted future cash flows or the market approach utilizing recent transaction activity for comparable properties. These approaches are considered level 3 fair value measurements. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The Company did not record impairment charges against goodwill and indefinite-lived intangible assets for the year ended December 31, 2025. During the years ended December 31, 2024 and 2023 the Company recorded impairment charges against goodwill and indefinite-lived intangible assets. For additional information refer to *Note 6. Goodwill and Intangible Assets*.

### **Segment Reporting**

Our operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer (“CEO”). The Company has identified five operating segments – Cannabis-Canada, Cannabis-U.S., Cannabis-Netherlands (previously Leli), Produce, and Clean Energy.

### **Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

**Level 1:** Observable inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, or quoted prices for identical assets and liabilities in markets that are not active.

**Level 3:** Unobservable inputs that reflect our own assumptions.

For its investments, the Company has elected the practicability exception to fair value measurement, under which the investment is measured at cost, less impairment, plus or minus any observable price changes of an identical or similar investment.

### **Share-Based Compensation**

The Company grants stock options and restricted stock (“RSU”) to certain employees and directors.

Compensation costs for awards of stock-based compensation settled in shares are determined based on the fair value of the share-based instrument at the time of grant and are recognized as expense over the vesting period of the share-based instrument. The Company recognizes forfeitures as they occur.

Stock options generally vest over three years (33% per year following the grant date) and expire after ten years. Each tranche in an award is considered a separate award with its own vesting period. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche’s vesting period by increasing additional paid-in capital based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact recognized immediately.

RSU grants will be settled using the Company’s own equity if the performance standard is met. The equity-settled share-based compensation is measured at the fair value of the Company’s Common Shares as at the grant date in accordance with the terms of the Company’s Stock Compensation Plan. The fair value determined at the grant date is charged to income when performance-based or time-based vesting conditions are met, based on the number of RSUs that will eventually be converted to Common Shares, with a corresponding increase in equity.

### **Advertising**

Advertising costs are recognized when incurred and are presented within selling, general and administrative costs in the Consolidated Statements of Operations. The Company supports its products with advertising to build brand awareness of the Company’s various products in addition to other marketing programs executed by the Company’s marketing teams. Advertising costs for the years ended December 31, 2025, 2024, and 2023 were \$3,349, \$4,125, and \$4,942, respectively.

### **Other Income (Expense)**

Other income for the years ended December 31, 2025, 2024, and 2023 include favorable settlements of \$4,240, \$3,536 and \$0, respectively, relating to the partial recovery of operational losses from the Tomato Brown Rugose Fruit Virus infestation.

### **Comprehensive Income (Loss)**

Comprehensive income or loss is a measure of net income and other changes in equity that results from transactions other than those with shareholders. Comprehensive income or loss and related accumulated comprehensive income or loss balances consist of net income, foreign currency translation adjustments, primarily from fluctuations in foreign currency exchange rates of the Company's foreign subsidiaries with a functional currency other than the U.S. dollar and net income or loss attributable to non-controlling interests.

### **Recently Adopted Accounting Pronouncements**

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU requires that an entity annually disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income or loss by the applicable statutory income tax rate) as well as income taxes paid disaggregated by jurisdiction. The amendments in this update were effective for all entities for fiscal years beginning after December 15, 2024. The Company adopted this guidance for the fiscal year ended December 31, 2025. The amendments in this ASU were applied prospectively. This ASU only impacted our disclosures with no impact to our results of operations, cash flows, and financial condition.

### **New Accounting Pronouncements**

#### *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures*

In November 2024, the FASB issued ASU 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures*. The ASU requires a public business entity to provide disaggregated disclosures of certain categories of expenses on an annual and interim basis including purchases of inventory, employee compensation, depreciation, and intangible asset amortization for each income statement line item that contains those expenses. The guidance is effective for annual disclosures for fiscal years beginning after December 15, 2026, and subsequent interim periods with early adoption permitted, and requires retrospective application to all prior periods presented in the financial statements. We are currently evaluating the impact this new guidance will have on our disclosures upon adoption and expect to provide additional detail and disclosures under this new guidance.

VILLAGE FARMS INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

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**2. INVENTORIES**

Inventories consisted of the following:

Classification	December 31, 2025	December 31, 2024
<b>Cannabis:</b>		
Raw materials	\$ 5,852	\$ 6,372
Work-in-process	10,599	7,052
Finished goods	20,227	21,872
Packaging	2,965	3,100
<b>Produce:</b>		
Crop inventory	1,876	2,860
<b>Inventory</b>	<b>\$ 41,519</b>	<b>\$ 41,256</b>

During the year ended December 31, 2024, the Company recognized \$10,436 of inventory impairments relative to its net realizable value. This inventory consisted of older manufactured products which required incremental rework costs that were higher than the resell value of the finished goods, so it was concluded to write off this inventory rather than incurring incremental costs to sell it. There were no inventory impairments recognized for the years ended December 31, 2025 and 2023.

**3. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consisted of the following:

Classification	December 31, 2025	December 31, 2024
Land	\$ 14,040	\$ 13,451
Leasehold and land improvements	9,388	8,799
Buildings	188,464	180,091
Machinery and equipment	58,672	55,637
Construction in progress	22,410	10,971
Less: Accumulated depreciation	(107,262)	(93,723)
<b>Property, plant and equipment, net</b>	<b>\$ 185,712</b>	<b>\$ 175,226</b>

Depreciation expense on property, plant and equipment, was \$13,133, \$13,437 and \$10,804 for the years ending December 31, 2025, 2024 and 2023, respectively.

Capitalized interest was \$188 and \$1,029 for the years ended December 31, 2025 and 2024, respectively.

**4. ACQUISITIONS**

**Rose Acquisition - Put/Call Option**

On November 15, 2021, the Company entered into a Share Purchase Agreement (the “Purchase Agreement”) with Rose and other parties, including the shareholders of Rose (collectively, the “Rose Sellers”), for the acquisition of a 70% interest in Rose pursuant to the terms of the Purchase Agreement.

Two of the co-founders of Rose (the “Management Shareholders”), who were among the Rose Sellers of Rose in the Acquisition, remained in their current roles with Rose post-Acquisition and initially retained a non-voting 30% interest in Rose (the “Retained Interest”). In conjunction with the Acquisition, Village Farms and the Management Shareholders entered into a unanimous shareholders agreement (the “USA”) providing Village Farms with a call option to acquire 66% of the Retained Interest between December 31, 2024 and April 16, 2025 or upon the occurrence of certain liquidity events with respect to Village Farms (the “Call Option”). As part of the Call Option, Village Farms could also acquire 34% of the Retained Interest between December 31, 2023 and March 31, 2024. A put right has also been granted to the Management Shareholders to require Village Farms to complete the acquisition of the Retained Interest upon their death or disability or the occurrence of certain liquidity events with respect to Village Farms (the “Put Option”, and together with the Call Option, the “Put/Call Option”). The price for the Put/Call Option was set at a multiple solely based on Rose’s adjusted EBITDA performance of the applicable prior calendar year.

The consideration for the acquisition of the Retained Interest may, at Village Farms’ sole discretion, be payable solely in cash or in a pre-determined combination of cash and Village Farms shares based on a formula similar to that used for the issuance of the Village Farms shares comprising part of the Purchase Price.

VILLAGE FARMS INTERNATIONAL, INC.

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On May 29, 2024, the Company entered into a Share Purchase Agreement with Rose and non-controlling shareholders for the acquisition of an additional 10% interest in Rose for a total cash purchase price of approximately \$3,016, which resulted in a reduction of mezzanine equity of \$5,209 and an increase in additional paid in capital of \$2,193. The Company's ownership interest in Rose is now 80%.

**Leli Holland B.V. ("Leli")**

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 allowed for the Company to acquire 80% of Leli's shares for EUR3,950,000, of which EUR950,000 was 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 was exercisable at the sole discretion of the Company.

On July 7, 2022, Leli received a license to cultivate cannabis legally in the Netherlands under the Dutch Closed Supply Chain Experiment program ("the Program"). On July 19, 2022, the Company exercised the Option to purchase 80% of Leli, plus an additional 5% interest, for total cash consideration of \$4,693.

The acquisition has been accounted for as an asset acquisition and the full consideration paid has been allocated to the license and accounted for as an intangible asset that will be amortized over a period of 5 years which is consistent with the term of the program. There were no other assets or liabilities acquired in the acquisition.

On September 24, 2024, the Company acquired the remaining 15% equity ownership interest in Leli for a total cash purchase price of approximately \$801, which resulted in a reduction of non-controlling interest of \$489 and a decrease in additional paid in capital of \$317. The Company's ownership interest in Leli is now 100%.

**5. INVESTMENTS**

**Vanguard Food, LP**

On May 30, 2025, the Company closed on a transaction with Vanguard Food, LP ("Vanguard") to privatize certain assets and operations of its Produce segment (the "Transaction") (Note 10). As part of the Transaction, the Company received a 37.9% equity ownership interest in Vanguard with an estimated fair value of \$3,530, included in investments within the Consolidated Statements of Financial Position. We account for our investment in Vanguard under the equity method of accounting in accordance with *ASC 323, Investments – Equity Method and Joint Ventures*. Under the equity method of accounting, the initial investment is recorded at cost and the investment is subsequently adjusted for, among other things, its proportionate share of earnings or losses. However, given the capital structure of the Vanguard arrangement, we apply the Hypothetical Liquidation Book Value ("HLBV") method to determine the allocation of profits and losses since our liquidation rights and priorities, as defined by the Amended and Restated Limited Partnership Agreement of Vanguard Food LP (the "Vanguard LPA"), differ from our underlying ownership interest. The HLBV method calculates the proceeds that would be attributable to each partner in an investment based on the liquidation provisions of the Vanguard LPA if the partnership was to be liquidated at book value as of the balance sheet date. Each partner's allocation of income or loss in the period is equal to the change in the amount of net equity they are legally able to claim based on a hypothetical liquidation of the entity at the end of a reporting period compared to the beginning of that period, adjusted for any capital transactions. Based on the terms of the Vanguard LPA and related Transaction documents, we recorded income on equity method investments attributable to Vanguard of \$0 for the year ended December 31, 2025.

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## 6. GOODWILL AND INTANGIBLES ASSETS

At the end of each reporting period, the Company assesses whether events or changes in circumstances have occurred that would indicate an impairment. The Company considers external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment.

During the years ended December 31, 2025, 2024, and 2023, the Company considered qualitative factors in assessing for impairment indicators for the Company's U.S. and Canadian Cannabis segments. As part of this assessment, the Company considered both external and internal factors, including overall financial performance and outlook.

At December 31, 2025 the Company concluded that no impairment indicators existed as no events or circumstances occurred that would, more likely than not, reduce the fair value of the reporting units to be below their carrying amounts.

Throughout 2024 and 2023, the Company experienced macroeconomic challenges, decreases in market capitalization, decreases in transaction multiples, and continued ambiguity in federal regulations with respect to the U.S. CBD market.

### Year Ended December 31, 2024

#### *Cannabis – Canada – Goodwill*

The fair value of the reporting unit was determined based on a discounted cash flow projections from budgets approved for 2025, which was extended to 2029 with a compound annual revenue growth rate of 7.5% from 2025 to 2029, followed by terminal growth rate of 3%. Management concluded that the fair value was higher than its carrying amount by approximately \$9,740 as of December 31, 2024 and therefore no impairment to goodwill was required.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase of approximately 0.3% in the discount rate would result in the fair value being equal to the carrying value, and each additional 0.5% increase would result in an impairment of approximately \$13,219.
- Terminal growth rate: A decrease in approximately 0.6% in the terminal growth rate would result in the fair value being equal to the carrying value, and each additional 0.5% decrease would result in an impairment of approximately \$6,957.
- Forecasted Revenue: A decrease in forecasted revenue by approximately 4.1% would result in the fair value being equal to the carrying value, and each additional 5% decrease would result in an impairment of approximately \$12,523.
- Net working capital: Net working capital requirements are approximately 29.8% of revenue. An increase of approximately 3.8% in net working capital investment would result in the fair value being equal to the carrying value, and each additional 5% increase would result in an impairment of approximately \$12,523.

#### *Cannabis – Canada – Brand*

The fair value of the brand was determined based on a discounted cash flow projection, covering a five-year period. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that the fair value was higher than its carrying value of \$3,270 by approximately \$626 as of December 31, 2024 and therefore, no impairment to brand was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase in the discount rate by approximately 1.5% would result in the fair value being equal to the carrying value, and each additional 1% increase in the discount rate would result in an impairment of approximately \$348.
- Royalty rate: An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by approximately 0.2% would result in the recoverable amount being equal to the carrying value.
- Future revenues: A decrease in future revenues by 4% would result in the fair value being equal to the carrying value, and each additional 10% decrease in the future revenues would result in an impairment of approximately \$1,252.

VILLAGE FARMS INTERNATIONAL, INC.

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*Cannabis - U.S.*

At June 30, 2024, when the Company considered qualitative factors in assessing impairment indicators, it concluded that the Company's U.S. - Cannabis segment more likely than not was impaired. The Company reviewed the reportable segment's assets, including goodwill and intangible assets. Based on recent historical performance during the quarter which underperformed relative to budget, a revised June 30, 2024 forecast which resulted in a shortfall compared to the March 31, 2024 forecast, the new restrictions on CBD sales in an additional eight states at July 1, 2024, and the proliferation of unregulated hemp-derived products on the market which continues to challenge market share for the CBD industry, the Company concluded that as of June 30, 2024, the fair value of the brand intangible asset and goodwill was fully impaired and an impairment charge to goodwill of \$10,039 and a charge to intangibles of \$1,900 was recorded to the U.S. Cannabis reporting unit.

*Cannabis - U.S. - Goodwill*

The fair value of the reporting unit was determined based on a discounted cash flow projection using projections for the remainder of 2024 to 2028 with an average revenue growth rate of 6% between 2025 to 2028, followed by a terminal growth rate of 2%. Management concluded that as of June 30, 2024, the fair value was lower than its carrying amount and as a result, an impairment charge to goodwill of \$10,039 was recorded to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: A market participant post-tax discount rate applied to the after-tax forecast cash flows was 12%. A decrease of 1% to the discount rate, would not result in a material change to the impairment charge.
- Terminal growth rate: An increase of 1% in the terminal growth rate would not result in a material change to the impairment charge.
- Future cash flows: An increase in future cash flows by 10% would not result in a material change to the impairment charge.

*Cannabis – U.S. Brand*

The fair value of the brand was determined based on a discounted cash flow projection. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that as of June 30, 2024, the fair value was lower than its carrying value of \$1,900 as the notional brand maintenance costs exceeded the incremental royalty of 3.5%. Therefore, an impairment charge to the brand intangible of \$1,900 was allocated to the reporting unit.

**Year Ended December 31, 2023**

As of December 31, 2023, when the Company considered qualitative factors in assessing impairment indicators it concluded that the Company's U.S. - Cannabis segment more likely than not was impaired. The Company tested that segment's assets, including goodwill and intangible assets for impairment.

*Cannabis - U.S. - Goodwill*

The fair value of the reporting unit was determined based on a discounted cash flow projection from budgets approved by senior management for 2024 to 2029 with an average revenue growth rate of 8% over 6 years, followed by terminal growth rate of 4.1%. Management concluded that as of December 31, 2023, the fair value was lower than its carrying amount and as a result, an impairment charge to goodwill of \$11,300 was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: A market participant post-tax discount rate applied to the after-tax forecast cash flows was 11%. An increase of 1% to the discount rate, would increase the impairment by approximately \$1,700.
- Terminal growth rate: A decrease of 0.5% in the terminal growth rate would increase the impairment by approximately \$700.
- Future cash flows: A decrease in future cash flows by 10% would increase the impairment by approximately \$1,300.

*Cannabis – U.S. – Brand*

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The fair value of the brand was determined based on a discounted cash flow projection. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. An average revenue growth rate of 8% was used over 6 years, followed by terminal growth rate of 4.1%. Management concluded that as of December 31, 2023, the fair value was lower than its carrying amount and as a result, an impairment charge to the brand intangible of \$2,720 was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: A market participant post-tax discount rate applied to the after-tax forecast cash flows was 11%. An increase of 1% to the discount rate, would increase the impairment by approximately \$200.
- Royalty rate: An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by 0.5% would increase the impairment to brand by \$1,600.
- Future revenues: A decrease in future revenues by 10% would increase the impairment by approximately \$200.

*Cannabis – Canada – Goodwill*

The fair value of the reporting unit was determined based on a discounted cash flow projection from budgets approved for 2024, which was extended to 2027 with a compound annual revenue growth rate of 16% from 2024 to 2027, followed by terminal growth rate of 4%. Management concluded that the fair value was higher than its carrying amount by approximately \$2,565 as of December 31, 2023 and therefore no impairment to goodwill was required.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase of approximately 0.07% in the discount rate would result in the fair value being equal to the carrying value, and each additional 0.5% increase would result in an impairment of approximately \$18,858.
- Terminal growth rate: A decrease in approximately 0.1% in the terminal growth rate would result in the fair value being equal to the carrying value, and each additional 0.5% decrease would result in an impairment of approximately \$17,350.
- Future cash flows: A decrease in the future cash flows before net working capital by approximately 1.0% would result in the fair value being equal to the carrying value, and each additional 5% decrease would result in an impairment of approximately \$16,595.
- Net working capital: Net working capital ranges between 40% and 45% of revenue. An increase of 6% in net working capital investment would result in the fair value being equal to the carrying value, and each additional 5% increase would result in an impairment of approximately \$3,017.

*Cannabis – Canada – Brand*

The fair value of the brand was determined based on a discounted cash flow projection, covering a four-year period. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that the fair value was higher than its carrying value of \$3,545 by approximately \$453 as of December 31, 2023 and therefore, no impairment to brand was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase in the discount rate by 1% would result in the fair value being equal to the carrying value, and each additional 1% increase in the discount rate would result in an impairment of approximately \$302.
- Royalty rate: An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by 0.12% would result in the recoverable amount being equal to the carrying value.
- Future revenues: A decrease in future revenues by 12% would result in the fair value being equal to the carrying value, and each additional 10% decrease in the future revenues would result in an impairment of approximately \$317.

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**Goodwill**

The following table presents the changes in the carrying value of goodwill by reportable segment:

	Cannabis - Canada	Cannabis - United States	Total
Balance as of December 31, 2023	\$ 45,879	\$ 10,039	\$ 55,918
Foreign currency translation adjustment	(3,564)	—	(3,564)
Impairments	—	(10,039)	(10,039)
Balance as of December 31, 2024	<u>\$ 42,315</u>	<u>\$ -</u>	<u>\$ 42,315</u>
Foreign currency translation adjustment	2,050	—	2,050
Balance as of December 31, 2025	<u>\$ 44,365</u>	<u>\$ -</u>	<u>\$ 44,365</u>

**Intangible Assets**

Intangibles consisted of the following:

Classification	December 31, 2025	December 31, 2024
Licenses	\$ 18,508	\$ 17,196
Brand and trademarks*	12,678	12,520
Customer relationships	13,137	12,530
Computer software	1,621	2,029
Other*	144	144
Less: Accumulated amortization	(13,191)	(10,064)
Less: Impairments*	(9,250)	(9,250)
Intangibles, net	<u>\$ 23,647</u>	<u>\$ 25,105</u>

\*Includes indefinite-lived intangible assets

The expected future amortization expense for definite-lived intangible assets as of December 31, 2025 is as follows:

Fiscal period	
2026	\$ 3,256
2027	3,241
2028	1,880
2029	1,878
2030	1,857
Thereafter	7,963
Intangibles, net	<u>\$ 20,075</u>

Amortization expense for intangibles for the years ended December 31, 2025, 2024 and 2023 were \$3,246, \$3,286 and \$3,141, respectively.

**7. ACCRUED LIABILITIES**

	December 31, 2025	December 31, 2024
Received not invoiced	\$ 1,513	\$ 2,151
Accrued payroll	4,212	3,495
Other	7,694	3,326
	<u>\$ 13,419</u>	<u>\$ 8,972</u>

VILLAGE FARMS INTERNATIONAL, INC.

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**8. LEASES**

The Company leases an office building located in Lake Mary, Florida for its corporate headquarters, office and manufacturing spaces in Denver, Colorado for Balanced Health's headquarters and operations, and office and manufacturing space in Drachten, Netherlands for Leli Holland's headquarters and operations. Rose leases a building for headquarters in Montreal, Quebec.

The components of lease related expenses are as follows:

	Year ended December 31,		
	2025	2024	2023
Operating lease expense <sup>(a)</sup>	\$ 1,276	\$ 1,644	\$ 2,137

<sup>(a)</sup> Includes short-term and variable lease costs of \$325 and \$913 for the years ended December 31, 2025 and 2024, respectively.

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

	Year ended December 31,	
	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows (fixed payments)	\$ 1,451	\$ 1,452
Operating cash flows (liability reduction)	\$ 1,615	\$ 925
ROU assets obtained in exchange for lease obligations:		
Operating leases	\$ 691	\$ 117

Other information related to operating leases was as follows:

	December 31, 2025
<b>Weighted average remaining lease term:</b>	
Operating leases	4.19
<b>Weighted average discount rate:</b>	
Operating leases	9.08%

Maturities of lease liabilities as of December 31, 2025 were as follows:

	Operating leases
2026	\$ 1,516
2027	1,313
2028	1,171
2029	1,022
2030	321
Thereafter	579
Total minimum lease payments	5,922
Less amounts representing interest	(869)
Total lease obligation, net of interest	5,053
Less current portion	(1,198)
Long-term portion of lease obligations, net of interest	\$ 3,855

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9. LINE OF CREDIT AND LONG-TERM DEBT

	Balance outstanding as of	
	December 31,	
	2025	2024
Term Loan - ("FCC Term Loan") - repayable by monthly principal payments of \$164 and accrued interest at Secured Overnight Financing Rate ("SOFR") plus an applicable margin per annum (7.45% at December 31, 2025); matures May 3, 2027	\$ 15,855	\$ 20,821
Term loan - ("Pure Sunfarms Term Loan Facility") - C\$27.4M - repayable by quarterly principal payments of C\$1.0 million and accrued interest at Canadian prime interest or Canadian Overnight Repo Rate Average ("CORRA") plus an applicable margin (4.78% at December 31, 2025), matures February 7, 2028.	17,799	—
Term Loan - ("Pure Sunfarms Non-Revolving Facility") - C\$19.0M - Canadian prime interest rate plus an applicable margin, repayable in quarterly payments equal to 2.50% of the outstanding principal amount, matures February 7, 2026. Terminated on April 17, 2025 and replaced with the "Pure Sunfarms Secured Credit Facilities"	—	6,262
Term loan - ("Pure Sunfarms Term Loan") - C\$25.0M - Canadian prime interest rate plus an applicable margin, repayable in quarterly payments equal to 2.50% of the outstanding principal amount, matures February 7, 2026. Terminated on April 17, 2025 and replaced with the "Pure Sunfarms Secured Credit Facilities"	—	10,436
Term Loan - (Pure Sunfarms "BDC Facility") - non-revolving demand loan repayable by monthly principal payments of C\$52 and accrued interest at Canadian prime interest rate plus an applicable margin, matures December 31, 2031. Terminated on April 17, 2025 and replaced with the "Pure Sunfarms Secured Credit Facilities"	—	3,043
Total	<u>\$ 33,654</u>	<u>\$ 40,562</u>
Less current maturities	<u>4,885</u>	<u>8,142</u>
Total	<u>\$ 28,769</u>	<u>\$ 32,420</u>

As collateral for the FCC Term Loan, the Company has provided a promissory note, a first mortgage on the VFF-owned Delta 1 and Monahans greenhouses, 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 for the FCC Loan as of December 31, 2025 and 2024 was \$84,653 and \$77,682, respectively.

On April 10, 2025, the Company entered into an Amended and Restated Credit Agreement (the "A&R Credit Agreement") with Farm Credit Canada ("FCC") as the lender, which amended and restated the terms of the FCC Term Loan. Among other things, the A&R Credit Agreement (i) adds the Company as a new borrower, (ii) adds VF Clean Energy, Inc. as a new guarantor, and (iii) provides more favorable financial covenants.

On April 17, 2025, the Company entered into a secured credit facility with a Canadian chartered bank as administrative agent with an aggregate borrowing capacity of C\$37.4 million, consisting of a maximum C\$10.0 million revolving credit facility (the "Pure Sunfarms Revolving Credit Facility"), and a C\$27.4 million term loan facility (the "Pure Sunfarms Term Loan Facility", and collectively with the Pure Sunfarms Revolving Credit Facility, the "Pure Sunfarms Secured Credit Facilities"). The Pure Sunfarms Secured Credit Facilities are secured by the Delta 2 and Delta 3 greenhouse facilities. The Pure Sunfarms Secured Credit Facilities were used to replace, and repay remaining outstanding balances on, the Company's (i) Pure Sunfarms Term Loan, (ii) the Pure Sunfarms Non-Revolving Facility, (iii) the BDC Facility, and (iv) the PSF Revolving Line of Credit. The credit and guarantee agreements related to the Pure Sunfarms Loan, the Pure Sunfarms Non-Revolving Credit Facility, the BDC Facility, and the PSF Revolving Line of Credit were terminated.

The outstanding amount of the Pure Sunfarms Term Loan Facility will be repayable, on a quarterly basis, in an amount equal to C\$1.0 million. Any amount remaining unpaid will be due and payable in full on the maturity date, which is on February 7, 2028.

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The loans under the Pure Sunfarms Secured Credit Facilities will accrue interest at a rate equal to, at the company's option, (a) the Canadian Prime Rate plus the applicable margin, or (b) the Canadian Overnight Repo Rate Average plus the applicable margin. The applicable margin for the Pure Sunfarms Secured Credit Facility is determined based upon Pure Sunfarms leverage ratio. The Pure Sunfarms Secured Credit Facilities can be drawn for advances of up to C\$10.0 million.

The Pure Sunfarms Secured Credit Facilities also contain customary covenants, customary representations and warranties, affirmative covenants, financial covenants and events of default.

The Company is required to comply with financial covenants. At December 31, 2025, the Company was compliant with all of its financial covenants.

The weighted average interest rate on short-term borrowings as of December 31, 2025 and 2024 was 6.0% and 8.22%, respectively.

Accrued interest payable on all long term-debt as of December 31, 2025 and 2024 was \$166 and \$271, respectively, and these amounts are included in accrued liabilities in the consolidated statements of financial position.

The aggregate annual principal maturities of long-term debt for the next five years and thereafter are as follows:

2026	\$	4,885
2027		16,812
2028		11,957
2029		—
2030		—
Thereafter		—
	<u>\$</u>	<u>33,654</u>

## 10. DISCONTINUED OPERATIONS AND DISPOSALS

On May 30, 2025, the Company closed on a transaction with a newly-formed holding company, Vanguard Food, LP ("Vanguard"), backed by private investment firms, to privatize certain assets and operations of its Produce segment (the "Transaction"). As part of the Transaction, the Company received \$40 million in cash proceeds, subject to working capital adjustments, and common units representing a 37.9% equity ownership interest in Vanguard with an estimated fair value of \$3.5 million. In accordance with ASC 810-10-40, the Company recognized a gain upon deconsolidation of the Produce operations, based on the fair value of consideration received and fair value of Vanguard common units, less the carrying amount of net assets disposed. The gain on sale was recorded based on available data and management estimates as of December 31, 2025 and is subject to post-closing selling price adjustments which could result in further adjustments to the gain on sale. The following table outlines the calculation of the initial gain on sale of the Transaction:

Cash proceeds	\$	35,000
Cash held in indemnity escrow (Restricted cash)		5,000
Fair value of Vanguard common units		3,530
Carrying value of lease to Vanguard		1,245
Estimated future distributions for working capital adjustments and other obligations		(4,290)
Less: Carrying value of net assets disposed		(20,500)
Gain on sale	<u>\$</u>	<u>19,985</u>

The Company concluded the Transaction met the criteria under ASC 205-20 to be classified as discontinued operations because the Transaction represented a strategic shift in the Company's business model that had a major effect on the Company's operations and financial results. Accordingly, the Consolidated Statements of Operations and Comprehensive Income (loss) and the Consolidated Statements of Financial Position have been adjusted for all prior periods to reflect the historical results as discontinued operations.

Details of the net income (loss) from discontinued operations, net of tax, were as follows for the years ended December 31:

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Notes to Consolidated Financial Statements

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	2025	2024	2023
Sales	\$ 62,643	\$ 140,273	\$ 122,493
Cost of sales	(66,176)	(138,674)	(121,020)
Gross loss	(3,533)	1,599	1,473
Selling, general and administrative expenses	(5,151)	(9,287)	(8,787)
Interest expense	(7)	(14)	(14)
Other Income	—	—	5,585
Gain on sale of assets	19,985	—	—
Income (loss) from discontinued operations before income taxes	11,294	(7,702)	(1,743)
Provision for income taxes	(177)	—	—
Net income (loss) income from discontinued operations, net of tax	<u>\$ 11,117</u>	<u>\$ (7,702)</u>	<u>\$ (1,743)</u>

The following table summarizes the assets and liabilities of the discontinued operations as of December 31:

	2025	2024
<b>ASSETS</b>		
<i>Current assets</i>		
Trade receivables, net	\$ —	\$ 11,505
Inventories, net	—	11,881
Other Receivables	—	80
Prepaid expenses and deposits	—	1,453
Total current assets of discontinued operations	<u>—</u>	<u>24,919</u>
<i>Non-current assets</i>		
Property, plant and equipment, net	—	15,037
Right-of-use assets	—	5,393
Total non-current assets of discontinued operations	<u>—</u>	<u>20,430</u>
Total assets of discontinued operations	<u>\$ —</u>	<u>\$ 45,349</u>
<b>LIABILITIES</b>		
<i>Current liabilities</i>		
Trade payables	\$ —	\$ 13,245
Accrued liabilities	—	3,236
Lease liabilities - current	—	1,437
Total current liabilities of discontinued operations	<u>—</u>	<u>17,918</u>
<i>Non-current liabilities</i>		
Lease liabilities - non-current	—	4,374
Total liabilities of discontinued operations	<u>\$ —</u>	<u>\$ 22,292</u>

## 11. FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized on the consolidated statements of financial position at fair value in a hierarchy for those assets and liabilities measured at fair value on a recurring basis.

At December 31, 2025 and 2024, the Company's financial instruments included cash and cash equivalents, restricted cash, trade receivables, other receivables, line of credit, trade payables, income tax payables, accrued liabilities, lease liabilities, and long-term debt. The carrying value of cash, cash equivalents, and restricted cash, trade receivables, other receivables, trade payables, income tax payables, and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of line of credit, lease liabilities, and long-term debt approximate their fair values due to the short-term nature of these instruments or the use of market interest rates for debt instruments.

There were no financial instruments categorized as Level 3 at December 31, 2025 and December 31, 2024, other than the minority investments discussed below. There were no transfers of assets or liabilities between levels during the years ended December 31, 2025 and 2024, respectively.

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**12. 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 is reasonably estimable. The Company is not involved in any defendant 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 operations.

**13. RELATED PARTY TRANSACTIONS AND BALANCES**

The Company leases its Rose office building from a Company employee who also owns a minority interest in Rose. For the years ended December 31, 2025, 2024 and 2023, the Company paid C\$253, C\$277 and C\$213, respectively to lease this office space.

One of the Company's former employees is related to a member of the Company's executive management team and received approximately \$99, \$165, and \$118 in salary and benefits during the years ended December 31, 2025, 2024 and 2023, respectively.

On May 29, 2024, the Company entered into a Share Purchase Agreement with Rose and non-controlling shareholders, both of which were company employees, for the acquisition of an additional 10% interest in Rose for a total cash purchase price of approximately \$3,016 (note 4).

The Company has entered into a Transition Services Agreement with Village Fresh, a Vanguard subsidiary, to provide certain transition services for specified fees and a multi-year Sales, Marketing & Distribution Agreement with Village Fresh, which sets forth the terms, conditions, rights and obligations governing the sales, marketing and distribution by Village Fresh of all hydroponically grown tomatoes produced at VFCLP's British Columbia greenhouse growing facilities. The price paid by Village Fresh to the Company is based on amounts paid by Village Fresh's customers, net of a marketing fee. Under this agreement, the Company recorded revenues of \$21,999 for the year ended December 31, 2025 and had outstanding receivables of \$637 as of December 31, 2025.

**14. INCOME TAXES**

The components of the provision for (recovery of) income tax for the years ended December 31, 2025, 2024 and 2023 are as follows:

	2025		
	Current	Deferred	Total
Canadian	\$ 12,099	\$ (2,394)	\$ 9,705
US Federal	—	—	—
US State	—	—	—
Netherlands	346	320	666
	<u>\$ 12,445</u>	<u>\$ (2,074)</u>	<u>\$ 10,371</u>

	2024		
	Current	Deferred	Total
US Federal	\$ —	\$ 1,201	\$ 1,201
US State	47	—	47
Canadian	30	(2,940)	(2,910)
	<u>\$ 77</u>	<u>\$ (1,739)</u>	<u>\$ (1,662)</u>

	2023		
	Current	Deferred	Total
US Federal	\$ —	\$ 3,000	\$ 3,000
US State	34	—	34
Canadian	371	4,046	4,417
	<u>\$ 405</u>	<u>\$ 7,046</u>	<u>\$ 7,451</u>

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The provision for (recovery of) income taxes reflected in the consolidated statements of operations for the years ended December 31, 2025, 2024 and 2023 differs from the amounts computed at the federal statutory tax rates. The principal differences between the statutory income tax (recovery) and the effective provision for (recovery of) income taxes are summarized in the below tables. The Company has adopted the guidance in ASU 2023-09 on a prospective basis. The following table reflects the rate reconciliation for the current year under the new guidance. Rate reconciliations for the comparative periods are presented below the current year table under the prior guidance.

Year Ended December 31, 2025		
Income before taxes and loss from equity method investments	\$	31,359
Year Ended December 31, 2025		
	Amount	Percent
Canada Federal Statutory Tax	\$ 4,817	15.4%
State and Local Income Taxes <sup>(1)</sup>	4,560	14.5%
Foreign Tax Effects		
United States		
Statutory tax rate difference between United States and Canada	(343)	-1.1%
State and Local Income Taxes, net of Federal Income Tax Effect	(120)	-0.4%
Sec. 162m Compensation Limitation	340	1.1%
Nontaxable or Nondeductible Items	(191)	-0.6%
Changes in Valuation Allowance	1,292	4.1%
Other	(122)	-0.4%
Netherlands		
Statutory tax rate difference between Netherlands and Canada	107	0.3%
Deferred Adjustment	244	0.8%
Other	167	0.5%
Effect of Changes in Tax Laws or Rates Enacted in the Current Period	—	0.0%
Effect of Cross-Border Tax Laws	—	0.0%
Tax Credits	(211)	-0.7%
Changes in Valuation Allowance	(58)	-0.2%
Nontaxable or Nondeductible Items		
Stock Based Compensation Expense	247	0.8%
Other Perms	(88)	-0.3%
Changes in Unrecognized Tax Benefits	—	0.0%
Other Adjustments		
Tax Rate Change	(406)	-1.3%
Other Adjustments	136	0.4%
Effective Tax	<u>\$ 10,371</u>	33.1%

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- (1) Provincial taxes in British Columbia made up the majority (greater than 50 percent) of the tax effect in this category.

	Years Ended	
	2024	2023
Loss from continuing operations before income taxes	\$ (29,604)	\$ (25,625)
Tax (recovery) calculated at US federal tax rates	(6,217)	(5,381)
State tax adjustments	(364)	(457)
Non-deductible items	920	1,100
True up of prior year income tax estimates	(39)	318
Deferred adjustment	(135)	32
Tax rate differences on deferred items	(318)	(34)
Change in tax rates	71	135
Change in valuation allowance	4,414	11,745
Other	6	(7)
(Expense) recovery of income taxes	<u>\$ (1,662)</u>	<u>\$ 7,451</u>

The statutory tax rate in effect in Canada and the United States for the years ended December 31, 2025, 2024 and 2023 was 27% and 21%, respectively.

The blended effective tax rate for 2025 was 33.1% compared to 5.6% and (29.1%) in 2024 and 2023, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The deferred tax assets and liabilities presented on the consolidated statements of financial position are net amounts corresponding to their reporting jurisdiction. The deferred tax assets and liabilities presented in the note disclosure are grouped based on asset and liability classification without consideration of their corresponding reporting jurisdiction.

Significant components of the Company's net deferred income taxes at December 31, 2025 and 2024 are as follows:

	2025	2024
<b>Deferred tax assets:</b>		
Other assets	\$ 7,222	\$ 6,683
Long-term debt	645	928
Tax losses: Non-capital and farm losses	35,283	37,563
Provisions: Debt and unit issuance costs	42	415
Tax Losses: Capital Losses	426	129
Intangibles	5,536	6,409
Lease liability	965	1,023
Valuation allowance	<u>(47,425)</u>	<u>(50,032)</u>
	2,694	3,118
<b>Deferred tax liabilities:</b>		
Joint venture shares	(2,462)	(2,346)
Cash adjustment	(9,800)	(10,506)
Right-of-use Assets	(755)	(843)
Property, plant and equipment	<u>(7,477)</u>	<u>(8,358)</u>
	(20,494)	(22,053)
Net deferred tax liabilities	<u>\$ (17,800)</u>	<u>\$ (18,935)</u>

In assessing the ability to realize deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon available positive and negative evidence and future taxable income, the Company has recorded a valuation allowance on its deferred tax assets for the years ended December 31, 2025 and 2024 of \$47,425 and \$50,032, respectively.

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Included in the schedule of deferred tax assets and liabilities above are US federal net operating loss carryforwards of approximately \$108,220 and \$119,095 as of December 31, 2025 and 2024, respectively, which will begin to expire in 2031. At the state level, the Company has a combined state net operating loss carry forwards of approximately \$39,937 and \$46,416 as of December 31, 2025 and 2024, respectively, which will begin to expire in 2029. The Canadian Federal Non-Capital Loss carry forwards are C\$50,767 and C\$50,337 as of December 31, 2025 and 2024, respectively, which will begin to expire in 2027. The Canadian Provincial Non-Capital Loss carry forwards are C\$9,579 and C\$7,948, as of December 31, 2025 and 2024, respectively, which will begin to expire in 2036. The Netherlands Federal Non-Capital Losses carry forward is EUR\$0 and EUR\$1,122 as of December 31, 2025 and 2024, respectively.

The amounts of cash taxes paid (refunds received) by the Company for the year ended December 31, 2025 is as follows:

Canada federal Taxes	\$	14
State and local taxes		
British Columbia		11
Ontario		25
Quebec		—
Foreign Taxes		
United States Federal		—
Texas		43
Total income taxes paid (refunded)	<u>\$</u>	<u>93</u>

At December 31, 2025 and 2024, the balance of uncertain tax benefits is zero. The Company does not anticipate that the amount of the uncertain tax benefit will significantly increase within the next 12 months. The Company recognizes accrued interest related to uncertain tax benefits and penalties as income tax expense. As of December 31, 2025 and 2024, there are no recognized liabilities for interest or penalties.

The Company is subject to taxation in Canada and its provinces, the U.S. and various states, as well as the Netherlands. As of December 31, 2025, the Company's tax years for 2022, 2023 and 2024 are subject to examination by the tax authorities. With few exceptions, as of December 31, 2025, the Company is no longer subject to U.S. federal, state or local examinations by tax authorities for years before 2022 due to the expiration of the statute of limitations.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA"), was enacted in the United States. The OBBBA includes, among other things the permanent extension of certain provisions of the U.S. Tax Cuts and Jobs Act of 2017, modifications to the United States' international tax framework, restoration of favorable tax treatment for certain business provisions. The OBBBA contains a variety of effective dates, with certain provisions effective in 2025 and others implemented through 2027. The OBBBA did not have a material impact on the reported results of operations.

## 15. SEGMENT AND GEOGRAPHIC INFORMATION

The Company regularly monitors its reportable segments to determine if changes in facts and circumstances would indicate whether changes in the determination or aggregation of operating segments are necessary. We believe that segment operating (loss) income is a useful measure because it allows management, analysts, investors, and other interested parties to evaluate the profitability of our business operations before the effects of certain expenses that directly arise from non-operating activities (other income/expense), financing decisions (interest), and tax strategies (income taxes).

Segment reporting is prepared on the same basis that the Company's Chief Executive Officer, who is the CODM, manages the business, makes operating decisions and assesses performance. Management has determined that the Company operates in five reportable segments: Cannabis-Canada, Cannabis-U.S., Cannabis - Netherlands (previously Leli), Produce, and Clean Energy. The Cannabis-Canada segment produces and supplies cannabis products to be sold to provincial governments across Canada, exports to other countries, and other licensed providers. The Cannabis-U.S. segment develops and sells high-quality, CBD-based health and wellness products including ingestible, edible and topical applications in the United States, where it is legal to do so. The Cannabis - Netherlands segment produces and supplies cannabis products in the Netherlands, to be sold to designated coffee shops. The Produce segment, subsequent to the Transaction, produces premium quality tomatoes in Delta, British Columbia, sold through the Vanguard Food Holding, LLC group. The Clean Energy business receives a royalty representing a portion of the renewable natural gas that is sold to one customer pursuant to a long-term contract.

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The accounting policies of the segments are the same as those described in the summary of business, basis of presentation and significant accounting policies. The Company evaluates performance for all of its reportable segments based on segment operating income (loss) from operations.

For all of its reportable segments, the CODM uses segment operating income (loss) to allocate resources (including employees, property, and financial or capital resources), predominantly in the annual budget and forecasting process. The CODM considers budget-to-actual variances on a monthly basis for the operating income (loss) when making decisions about allocating capital and personnel to the segments and to assess the performance for each segment by comparing the results with one another.

Discontinued operations are not included in the applicable reportable segments.

The following tables reflect the reconciliation of segment revenue, measures of segments profit or loss, and significant segment expenses reconciled to the consolidated income (loss) before income taxes:

**For the Year Ended December 31, 2025**

	<u>Produce</u>	<u>Cannabis Canada</u>	<u>Cannabis U.S.</u>	<u>Clean Energy</u>	<u>Cannabis Netherlands</u>	<u>Total</u>
Sales to external customers	\$ 26,295	163,710	14,439	1,635	9,858	215,937
Cost of sales	(25,438)	(92,172)	(5,416)	(274)	(4,955)	(128,255)
Selling, general and administrative expenses	(2,792)	(34,872)	(9,585)	(48)	(2,849)	(50,146)
Segment operating (loss) income	\$ (1,935)	\$ 36,666	\$ (562)	\$ 1,313	\$ 2,054	\$ 37,536
Reconciliation of segment operating (loss) income to net loss before taxes and loss from equity method investments						
Other income, net <sup>(2)</sup>						4,187
Other impairments						(217)
Other corporate expenses <sup>(3)</sup>						(10,147)
Income before taxes and income from equity method investments						<u>\$ 31,359</u>

**For the Year Ended December 31, 2024**

	<u>Produce</u>	<u>Cannabis Canada</u>	<u>Cannabis U.S.</u>	<u>Clean Energy</u>	<u>Cannabis Netherlands</u>	<u>Total</u>
Sales to external customers	\$ 28,909	\$ 148,856	\$ 17,390	\$ 752	\$ —	\$ 195,907
Cost of sales	(25,450)	(118,172)	(6,355)	(129)	—	(150,106)
Selling, general and administrative expenses	(2,949)	(34,028)	(11,990)	(38)	(1,555)	(50,560)
Segment operating income (loss)	\$ 510	\$ (3,344)	\$ (955)	\$ 585	\$ (1,555)	\$ (4,759)
Reconciliation of segment operating (loss) income to net loss before taxes and loss from equity method investments						
Other expense, net <sup>(2)</sup>						(1,279)
Impairment of goodwill and intangibles						(11,939)
Other impairments						(439)
Other corporate expenses <sup>(3)</sup>						(11,188)
Loss before taxes and loss from equity method investments						<u>\$ (29,604)</u>

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

For the Year Ended December 31, 2023						
	Produce	Cannabis Canada	Cannabis U.S.	Clean Energy	Cannabis Netherlands	Total
Sales to external customers	\$ 28,749	\$ 114,030	\$ 20,330	\$ —	\$ —	\$ 163,109
Cost of sales	(30,044)	(78,090)	(7,002)	(21)	—	(115,157)
Selling, general and administrative expenses	(1,838)	(29,275)	(13,118)	(32)	(1,265)	(45,528)
Segment operating (loss) income	\$ (3,133)	\$ 6,665	\$ 210	\$ (53)	\$ (1,265)	\$ 2,424
Reconciliation of segment operating (loss) income to net loss before taxes and loss from equity method investments						
Other expense, net <sup>(2)</sup>						(2,843)
Impairment of goodwill and intangibles						(14,020)
Other corporate expenses <sup>(3)</sup>						(11,186)
Loss before taxes and loss from equity method investments						\$ (25,625)

- (1) The significant expense categories and amounts align with the segment-level information that is regularly provided to the chief operating decision maker.
- (2) Other income (expense), net is comprised of Interest expense, interest income, foreign exchange (loss) gain, other income (expense).
- (3) Other corporate expenses are comprised of expenses related to centralized corporate functions such as accounting, treasury, information technology, legal, human services, and internal audit expenses.

The following tables summarizes our interest income, interest expense, depreciation and amortization, other significant non-cash items, and expenditures for capital assets by operating segment:

For the Year Ended December 31, 2025								
	Produce	Cannabis Canada	Cannabis U.S.	Clean Energy	Cannabis Netherlands	Segment Totals	Corporate	Consolidate d Totals
Interest income	\$ 65	\$ 412	\$ -	\$ -	\$ -	\$ 477	\$ 686	\$ 1,163
Interest expense	\$ 1,571	\$ 1,133	\$ -	\$ -	\$ -	\$ 2,704	\$ -	\$ 2,704
Depreciation and amortization	\$ 3,881	\$ 10,826	\$ 192	\$ -	\$ 1,351	\$ 16,250	\$ 129	\$ 16,379
Share based compensation	\$ 18	\$ 380	\$ 81	\$ -	\$ 5	\$ 484	\$ 1,257	\$ 1,741
Other significant noncash items:								
Non-cash lease expense	\$ 105	\$ 84	\$ 762	\$ -	\$ -	\$ 951	\$ -	\$ 951
Inventory and other impairments	\$ -	\$ -	\$ 217	\$ -	\$ -	\$ 217	\$ -	\$ 217
Expenditures for segment assets	\$ 766	\$ 5,811	\$ 17	\$ -	\$ 11,625	\$ 18,219	\$ -	\$ 18,219

For the Year Ended December 31, 2024								
	Produce	Cannabis Canada	Cannabis U.S.	Clean Energy	Cannabis Netherlands	Segment Totals	Corporate	Consolidate d Totals
Interest income	\$ 4	\$ 484	\$ -	\$ -	\$ -	\$ 488	\$ 426	\$ 914
Interest expense	\$ 2,237	\$ 1,112	\$ -	\$ 16	\$ -	\$ 3,365	\$ -	\$ 3,365
Depreciation and amortization	\$ 3,258	\$ 11,790	\$ 204	\$ -	\$ 1,275	\$ 16,527	\$ 196	\$ 16,723
Share based compensation	\$ -	\$ 166	\$ 79	\$ -	\$ -	\$ 245	\$ 3,502	\$ 3,747
Other significant noncash items:								
Non-cash lease expense	\$ 127	\$ 86	\$ 518	\$ -	\$ -	\$ 731	\$ -	\$ 731
Impairments of goodwill and intangibles	\$ -	\$ -	\$ 11,939	\$ -	\$ -	\$ 11,939	\$ -	\$ 11,939
Inventory and other impairments	\$ -	\$ 10,522	\$ 439	\$ -	\$ -	\$ 10,961	\$ -	\$ 10,961
Expenditures for segment assets	\$ 809	\$ 261	\$ 37	\$ -	\$ 6,061	\$ 7,168	\$ -	\$ 7,168

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	For the Year Ended December 31, 2023							
	Produce	Cannabis Canada	Cannabis U.S.	Clean Energy	Cannabis Netherlands	Segment Totals	Corporate	Consolidate d Totals
Interest income	\$ 9	\$ 157	\$ 24	\$ -	\$ -	\$ 190	\$ 828	\$ 1,018
Interest expense	\$ 2,318	\$ 2,177	\$ -	\$ -	\$ -	\$ 4,495	\$ -	\$ 4,495
Depreciation and amortization	\$ 625	\$ 11,790	\$ 204	\$ -	\$ 1,275	\$ 13,894	\$ 196	\$ 14,090
Share based compensation	\$ -	\$ 61	\$ 317	\$ -	\$ -	\$ 378	\$ 2,733	\$ 3,111
Other significant noncash items:								
Non-cash lease expense	\$ 497	\$ 118	\$ 578	\$ -	\$ -	\$ 1,193	\$ -	\$ 1,193
Impairments of goodwill and intangibles	\$ -	\$ -	\$ 14,020	\$ -	\$ -	\$ 14,020	\$ -	\$ 14,020
Expenditures for segment assets	\$ 1,514	\$ 914	\$ 218	\$ -	\$ 958	\$ 3,604	\$ -	\$ 3,604

The following tables summarizes our total assets by operating segment for the years ended December 31:

	2025	2024
Assets		
Produce	\$ 48,831	\$ 51,983
Cannabis - Canada	306,886	266,433
Cannabis - United States	5,187	6,728
Clean Energy	207	360
Cannabis Netherlands	23,355	11,093
Total assets for reportable segments	\$ 384,466	\$ 336,597
Corporate	38,630	7,360
Consolidated total	\$ 423,096	\$ 343,957

For years ended December 31, 2025, 2024 and 2023, approximately 7%, 24% and 30%, respectively, of the Company's total sales were in the United States and approximately 71%, 73%, and 67%, respectively, of the Company's total sales were in Canada. In 2025, the Company had three customers that individually represented more than 10% of total sales, comprising of 18.2%, 13.5%, and 10.2%. In 2024, the Company had two customers that individually represented more than 10% of total sales, comprising of 14.1% and 10.2%. In 2023, the Company had one customer that individually represented more than 10% of total sales, comprising of 11.9%.

As of December 31, 2025, the Company's trade receivables included two customers that represented more than 10% of the balance of trade receivables, representing 19.4% and 14.5% of the balance. As of December 31, 2024, the Company's trade receivables included two customers that represented more than 10% of the balance of trade receivables, representing 26.7% and 13.4% of the balance.

The Company's primary operations are in the United States and Canada. The following tables summarizes our assets by geographic location for the years ended December 31:

Total assets	2025	2024
United States	\$ 36,039	\$ 46,922
Canada	363,702	285,942
Netherlands	23,355	11,093
	\$ 423,096	\$ 343,957
Long-lived assets	2025	2024
United States	\$ 28,970	\$ 26,930
Canada	218,582	216,061
Netherlands	21,107	9,866
	\$ 268,659	\$ 252,857

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**16. INCOME (LOSS) PER SHARE**

Basic net income (loss) per share is computed using the weighted average number of Common Shares outstanding for the period. Basic and diluted net income (loss) per ordinary share is calculated as follows:

(shares in thousands)	For the Years Ended December 31,		
	2025	2024	2023
<b>Numerator:</b>			
Net income (loss) attributable to Village Farms International, Inc. shareholders from continuing operations	\$ 21,324	\$ (28,149)	\$ (33,055)
Income (loss) from discontinued operations, net of tax	\$ 11,117	\$ (7,702)	\$ (1,743)
<b>Denominator:</b>			
Weighted average number of common shares – basic	113,283	111,370	108,728
Effect of dilutive securities – share-based employee options and awards	5,262	—	—
Weighted average number of common shares – diluted	118,545	111,370	108,728
Anti-dilutive options, warrants, and awards <sup>(1)</sup>	19,280	8,052	8,456
<b>Net income (loss) per ordinary share:</b>			
Basic income (loss) per share attributable to Village Farms International, Inc. shareholders from:			
Continuing operations	\$ 0.19	\$ (0.25)	\$ (0.30)
Discontinued operations	0.10	(0.07)	(0.02)
Basic income (loss) per share attributable to Village Farms International, Inc. shareholders	\$ 0.29	\$ (0.32)	\$ (0.32)
Diluted income (loss) per share attributable to Village Farms International, Inc. shareholders from:			
Continuing operations	\$ 0.18	\$ (0.25)	\$ (0.30)
Discontinued operations	0.09	(0.07)	(0.02)
Diluted income (loss) per share attributable to Village Farms International, Inc. shareholders	\$ 0.27	\$ (0.32)	\$ (0.32)

<sup>(1)</sup> Options to purchase shares of common stock, warrants, and unvested RSUs are not included in the calculation of net (loss) income per share because the effect would have been anti-dilutive.

**17. SHAREHOLDERS' EQUITY AND SHARE-BASED COMPENSATION**

On January 30, 2023, the Company closed a public offering (the "Offering") of 18,350,000 Common Shares at a price of US\$1.35 per share together with accompanying warrants to purchase up to 18,350,000 Common Shares, which have an exercise price of US\$1.65 per share (the "Warrants"). The gross proceeds from the Offering were approximately US\$25 million before deducting placement agent fees and other offering expenses payable by the Company. The proceeds from the Offering are being used for general working capital. The accompanying Warrants have an exercise price of US\$1.65 and became exercisable beginning six months from issuance and will expire five years from the date of initial exercisability.

**Share-based compensation**

The Company's Share-Based Compensation Plan (the "Plan") dated January 1, 2010, was most recently approved by Shareholders on June 10, 2021. The Plan provides that the number of Common Shares reserved for issuance upon the exercise or redemption of awards granted under the Plan is a rolling maximum of ten percent (10%) of the outstanding Common Shares at any point in time. Approximately 3,262 shares remain available for issuance as of December 31, 2025.

Stock options have been granted with an exercise price equal to the fair market value of the common stock on the date of grants and have a ten-year contractual term. The stock options vest ratably over a 3- year period. Compensation expense is recognized

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over the vesting period, using the graded vesting method, by increasing additional paid-in capital based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact recognized immediately.

The fair market value of stock options is estimated using the Black-Scholes-Merton valuation model and the Company uses the following methods to determine its underlying assumptions: expected volatilities are based on the historical volatilities of the weekly closing price of the Company's common stock; the expected term of options granted is based historical exercises and forfeitures; the risk-free interest rate is based on Canadian Treasury bonds issued with similar life terms to the expected life of the grant; and the expected dividend yield is based on the current annual dividend amount divided by the stock price on the date of grant. Forfeitures are recorded when incurred.

The following key assumptions were used in the valuation model to value stock option grants for each respective period:

	2025	2024	2023
Expected volatility	75.3% - 78.1%	77.2% - 85.8%	85.7% - 87.8%
Dividend	\$nil	\$nil	\$nil
Risk-free interest rate	3.91% - 4.02%	3.08% - 3.71%	2.76% - 4.15%
Expected life	3.5years	4.4 years	6.5 years
Fair value	\$0.33 - \$0.62	\$0.56 - \$0.62	\$0.44 - \$0.82

Stock option transactions under the Company's plan for the years ended December 31, 2025, 2024 and 2023 are summarized as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Exercisable at December 31, 2022	2,549,401	\$ 5.88	5.46	\$ 133
Granted during 2023	3,492,991	\$ 0.94	9.34	\$ 130
Exercised during 2023	(100,000)	\$ 0.83		\$ 71
Forfeited during 2023	(535,833)	\$ 4.04		
Outstanding at December 31, 2023	6,946,576	\$ 3.50	7.54	\$ 83
Exercisable at December 31, 2023	3,081,262	\$ 6.07	5.44	\$ 1
Granted during 2024	620,000	\$ 0.95	5.96	\$ 0
Forfeited/expired during 2024	(598,167)	\$ 3.32		
Outstanding at December 31, 2024	6,968,409	\$ 3.50	6.79	\$ 90
Exercisable at December 31, 2024	3,081,262	\$ 6.07	5.96	\$ 31
Granted during 2025	450,000	\$ 0.76	5.36	\$ 1,300
Exercised during 2025	(791,829)	\$ 1.03		
Forfeited/expired during 2025	(163,834)	\$ 2.84		
Outstanding at December 31, 2025	6,462,746	\$ 3.42	5.36	\$ 10,869
Exercisable at December 31, 2025	4,615,074	\$ 4.41	5.17	\$ 5,876

The weighted-average grant-date fair value of options granted during the years ended December 31, 2025, 2024 and 2023 was \$0.47, \$0.58 and \$0.71, respectively. The total intrinsic value of options exercised during the years ended December 31, 2025, 2024 and 2023, was \$1,535, \$0 and \$71, respectively.

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A summary of the status of the Company's non-vested stock options, and the changes during the year ended December 31, 2025 is presented below:

	Number of Options	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Non-vested at January 1, 2025	2,479,553	\$ 0.82	
Granted	450,000	\$ 0.47	
Vested	(918,047)	\$ 0.81	
Forfeited	(163,834)	\$ 1.99	
Non-vested at December 31, 2025	<u>1,847,672</u>	<u>\$ 0.63</u>	<u>\$ 4,993</u>

As of December 31, 2025, there was approximately \$1,258 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the stock option plan; that cost is expected to be recognized over a period of three years.

The Company has also issued performance-based or time-based restricted share units to Village Farms employees involved with future developments of the Company. Once a performance or time based target is met and the share units are deemed earned and vested, compensation expense is recognized, based on the fair value of the share units on the grant date.

Performance-based and time based restricted share unit activity for the years ended December 31, 2025, 2024 and 2023 is as follows:

	Number of Performance- based Restricted Share Units	Weighted Average Grant Date Fair Value
Exercisable at December 31, 2022	30,000	\$ 8.31
Issued	(10,000)	\$ 8.31
Forfeited	<u>(20,000)</u>	<u>\$ 8.31</u>
Outstanding at December 31, 2023	—	\$ -
Exercisable at December 31, 2023	—	\$ -
Granted	2,179,884	\$ 0.71
Vested and Issued	<u>(1,479,024)</u>	<u>\$ 1.25</u>
Outstanding at December 31, 2024	700,860	\$ 0.17
Exercisable at December 31, 2024	—	\$ -
Granted	2,812,740	\$ 0.72
Forfeited	(267,216)	\$ 0.60
Vested and Issued	<u>(700,860)</u>	<u>\$ 0.59</u>
Outstanding at December 31, 2025	<u>2,545,524</u>	<u>\$ 0.73</u>
Exercisable at December 31, 2025	<u>—</u>	<u>\$ -</u>

On September 3, 2024, the Company granted 600,000 shares to a director of the Company.

Total share-based compensation for the years ended December 31, 2025, 2024 and 2023 of \$1,741, \$3,747 and \$3,111, respectively, was recorded in selling, general and administrative expenses and the corresponding amount credited to additional paid in capital.

**Share buyback program**

On September 29, 2025, the Board of Directors authorized a \$10 million share repurchase for up to 5,687,000 of the Company's outstanding common stock. Such purchases may be made on the open market, in private transactions and/or pursuant to purchase plans designed to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. The Company is not obligated to repurchase any specific number of shares, and the timing and actual number of shares repurchased will depend

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on a variety of factors, including the Company's stock price, general economic, business and market conditions, and alternative investment opportunities. The Company may discontinue any repurchases of its common stock at any time without prior notice. During the year ended December 31, 2025, the Company repurchased 812,923 shares for an aggregate amount of \$2,971 (excluding the 2% Canadian excise tax on stock repurchases). As of December 31, 2025, \$7,041 remains available for repurchases. Shares repurchased by the Company are accounted for when the transaction is settled. As of December 31, 2025, there were no unsettled share repurchases. Direct costs incurred to acquire the shares are included in the total cost of the shares.

**Warrants**

Warrant activity for the year ended December 31, 2025 was as follows:

	Number of Shares Underlying the Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)
Outstanding at December 31, 2024	18,350,000	\$ 1.65	3.50
Exercised	(2,816,100)	\$ 1.65	
Issued	—	\$ -	-
Expired	—	\$ -	-
Outstanding at December 31, 2025	<u>15,533,900</u>	\$ 1.65	2.50

**18. CHANGES IN NON-CASH WORKING CAPITAL ITEMS**

	For the Years Ended December 31,		
	2025	2024	2023
Trade receivables	\$ (3,753)	\$ (3,475)	\$ (2,155)
Inventories	1,144	8,458	(5,013)
Lease liabilities	(1,615)	(925)	(1,150)
Other receivables	4	(6)	9
Prepaid expenses and deposits	(240)	3,246	(754)
Trade payables	6,702	1,433	(1,731)
Accrued liabilities	4,098	(4,824)	5,391
Accrued taxes	11,992	25	3,575
Other assets, net of other liabilities	1,524	(4,029)	3,082
	<u>\$ 19,856</u>	<u>\$ (97)</u>	<u>\$ 1,254</u>

**19. SUBSEQUENT EVENTS**

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date the financial statements were available to be issued. Based upon this review, the Company did not identify any subsequent events that would have required adjustment or disclosure in the consolidated financial statements, other than set forth below.

On February 20, 2026, the Company amended and extended its Pure Sunfarms Secured Credit Facility, which increased loan commitments with existing lenders by CAD \$15 million and extending maturities one year to February 2029. The incremental debt financing comes in the form of a delayed draw term loan, from which the Company drew an initial CAD \$5 million on February 20, 2026. All other terms of the credit facility loans remain unchanged.

**[\*\*\*] = CERTAIN IDENTIFIED INFORMATION HAS BEEN OMITTED FROM THIS EXHIBIT BECAUSE IT IS BOTH (1) NOT MATERIAL AND (2) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED AND/OR IS THE TYPE OF INFORMATION THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL, AND HAS BEEN MARKED WITH “[\*\*\*]” TO INDICATE WHERE OMISSIONS HAVE BEEN MADE.**

## **AMENDING AGREEMENT NO. 1**

**THIS AMENDING AGREEMENT NO. 1** (this “**Amending Agreement**”) is made as of February 20, 2026 between the parties to the Credit Agreement (as hereinafter defined).

### **WHEREAS:**

A. Reference is made to the credit agreement dated as of April 17, 2025 (the “**Credit Agreement**”) between, *inter alios*, Pure Sunfarms Corp., as borrower (the “**Borrower**”), Canadian Imperial Bank of Commerce, as administrative agent (the “**Administrative Agent**”), Canadian Imperial Bank of Commerce as lead arranger and sole bookrunner, and the financial institutions party thereto, as lenders (the “**Lenders**”).

B. The Borrower, the Administrative Agent and the Lenders wish to amend the Credit Agreement on the terms and conditions set out herein.

**NOW THEREFORE THIS AGREEMENT WITNESSES** that, in consideration of the mutual covenants and agreements contained in this Amending Agreement and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties hereto agree as follows:

## **ARTICLE 1 INTERPRETATION**

**1.1 One Amending Agreement.** This Amending Agreement amends the Credit Agreement. This Amending Agreement and the Credit Agreement shall be read, interpreted, construed and have effect as, and shall constitute, one agreement with the same effect as if the amendments made by this Amending Agreement had been contained in the Credit Agreement as of the date of this Amending Agreement.

**1.2 Defined Terms.** In this Amending Agreement, unless something in the subject matter or context is inconsistent:

- (a) terms defined in the description of the parties or in the recitals have the respective meanings given to them in the description or recitals, as applicable; and
- (b) all other capitalized terms have the respective meanings given to them in the Credit Agreement as amended by Article 2 of this Amending Agreement (collectively, the “**Amended Credit Agreement**”).

**1.3 Headings.** The headings of the Articles and Sections of this Amending Agreement are inserted for convenience of reference only and shall not affect the construction or interpretation of this Amending Agreement.

**1.4 References.** All references to Articles, Sections, Exhibits and Schedules, unless otherwise specified, are to Articles, Sections, Exhibits and Schedules of the Credit Agreement.

## **ARTICLE 2 AMENDMENTS**

**2.1 Consolidated Credit Agreement.** As of the date of this Agreement, the Credit Agreement is amended as set out in the document attached hereto as Schedule A, with each strikeout representing a deletion therefrom and each insertion representing an addition thereto. From and including the date of this Agreement, the document attached hereto as Schedule A constitutes the consolidated Credit Agreement as amended by this Agreement.

## **ARTICLE 3 REPRESENTATIONS AND WARRANTIES**

**3.1 Confirmation of Representations.** The Borrower represents and warrants that, as at the date of this Amending Agreement and assuming that the amendments made to the Credit Agreement by this Amending Agreement have become effective:

- (a) this Amending Agreement and the Confirmation appended hereto has been duly authorized, executed and delivered by each of the signatory Credit Parties;
- (b) the Amended Credit Agreement constitutes a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditor's rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law;
- (c) no Default or Event of Default has occurred and is continuing; and
- (d) the representations and warranties contained in Article 3 (other than those that are made with respect to a specific date) are true and correct as if made on the date hereof.

## **ARTICLE 4 CONDITIONS**

**4.1 Conditions Precedent.** The amendments set out in Article 2 shall become effective if and only if there is receipt (or waiver) by the Administrative Agent of:

- (a) a counterpart of this Amending Agreement executed by each party hereto;
- (b) a counterpart of the Confirmation appended to this Amending Agreement, executed by each Guarantor;
- (c) a favourable legal opinion of Farris LLP, British Columbia and Ontario counsel to the Credit Parties and the Guarantor, and supporting materials as may be requested by the Administrative Agent;
- (d) certificate of an officer of each Credit Party, dated as of the Closing Date, in each case in form and substance substantively identical to those delivered on the

Closing Date, certifying the matters set out in Section 4.2 of the Amended Credit Agreement;

- (e) evidence of modification filed in respect of the registered and unregistered mortgages;
- (f) estoppel certificate executed by Village and Village LP, in their capacities as the landlord of the D2 Property;
- (g) amended title insurance policy in form and substance satisfactory to the Administrative Agent as to the D2 Property and D3 Property;
- (h) payment (or the making arrangements satisfactory to the payee) of the extension and upfront fees set out in Section 2.10(3) of the Amended Credit Agreement to the Administrative Agent (the "**Amendment Fees**"); and
- (i) payment (or the making of arrangements for the payment satisfactory to the payee) of all legal fees of the Administrative Agent invoiced to date by its counsel (the "**Legal Fees**").

If such conditions precedent are met, then the effective date of the amendments set out in Article 2 will be as of the date of this Amending Agreement.

**4.2 Payment.** The Borrower irrevocably authorizes and directs the Administrative Agent to debit its main Canadian dollar operating account maintained by the Administrative Agent in the name of the Borrower in an aggregate amount equal to the sum of the Amendment Fees and the Legal Fees in order to effect the payment thereof, and the Borrower agrees to fund such account as necessary to ensure that it contains sufficient funds to make such payments.

## **ARTICLE 5 GENERAL**

**5.1 Confirmation.** Except as specifically stated herein, the Credit Agreement and the other Loan Documents shall continue in full force and effect in accordance with the provisions thereof. In particular but without limitation:

- (a) the Security Documents and the Liens granted thereunder continue in full force and effect in accordance with their terms notwithstanding this Amending Agreement and the amendments to the Credit Agreement effected hereby; and
- (b) the secured liabilities described in the Security Documents include indebtedness, liabilities and obligations arising under or in relation to the Amended Credit Agreement, and the Liens granted thereunder extend thereto.

All Secured Liabilities under the Credit Agreement shall be continuing with only the terms thereof being modified as provided in this Amending Agreement, and this Amending Agreement shall not evidence or result in a novation of such Secured Liabilities.

**5.2 Reservation of Rights.** Except as expressly set forth herein, this Amending Agreement shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of Lenders or Administrative Agent under the Credit Agreement or any other Loan Document. Nothing herein shall be deemed to entitle any Credit Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document in similar or different circumstances.

**5.3 Interpretation.** All references to “this Agreement” or the “Credit Agreement” and all similar references in any of the other Loan Documents shall hereafter include, mean and be a reference to the Amended Credit Agreement without any requirement to amend such Loan Documents. This Amending Agreement shall constitute a “Loan Document” under, and as defined in, the Credit Agreement.

**5.4 Binding Nature.** This Amending Agreement shall enure to the benefit of and be binding upon the Borrower, the Administrative Agent and the Lenders and their respective successors and permitted assigns.

**5.5 Severability.** Any provision of this Amending Agreement which is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such prohibition or unenforceability and shall be severed from the balance of this Amending Agreement, all without affecting the remaining provisions of this Amending Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

**5.6 Conflicts.** If, after the date of this Amending Agreement, any provision of this Amending Agreement is inconsistent with any provision of the Credit Agreement, the relevant provision of this Amending Agreement shall prevail.

**5.7 Governing Law.** This Amending Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

**5.8 Counterpart and Facsimile.** This Amending Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amending Agreement by telecopy, emailed pdf. or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Amending Agreement. The words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to any document to be signed in connection with this Amending Agreement and the transactions contemplated hereby shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law.

[signatures on the following pages]

**IN WITNESS WHEREOF** the undersigned has caused this Amending Agreement to be duly executed as of the date set out on the first page.

**CANADIAN IMPERIAL BANK OF  
COMMERCE**, as Administrative Agent,  
Lender and Issuing Bank

By: \*\*\*Redacted – Personally Identifying Information\*\*\*

Name: Title:

3

\*\*\*Redacted – Personally Identifying Information\*\*\*

Authorized Signatory

By: \*\*\*Redacted – Personally Identifying Information\*\*\*

Name: Title:

3

\*\*\*Redacted – Personally Identifying Information\*\*\*]

Authorized Signatory

**IN WITNESS WHEREOF** the undersigned has caused this Amending Agreement to be duly executed as of the date set out on the first page.

**FARM CREDIT CANADA**, as Lender

By: \*\*\*Redacted – Personally Identifying Information\*\*\*

Name: Title:

3

\*\*\*Redacted – Personally Identifying Information\*\*\*

Authorized Signatory



**IN WITNESS WHEREOF** the undersigned has caused this Amending Agreement to be duly executed as of the date set out on the first page.

**PURE SUNFARMS CORP.**, as Borrower

By: /s/ Stephen Ruffini

Name: Stephen Ruffini

Title: Secretary

## CONFIRMATION

Each undersigned Guarantor acknowledges and irrevocably consents to the terms of the Amending Agreement. Each undersigned Guarantor further represents, warrants, and confirms to the Administrative Agent for the benefit of each Secured Party that:

- (a) the Guarantee and the guarantees and indemnities granted thereunder continue in full force and effect in accordance with their terms notwithstanding the Amending Agreement and the amendments to the Credit Agreement effected thereby;
- (b) such guarantees and indemnities extend to the indebtedness, liabilities and obligations of the Borrower under the Amended Credit Agreement;
- (c) the Security Documents and the Liens granted thereunder continue in full force and effect in accordance with their terms notwithstanding the Amending Agreement and the amendments to the Credit Agreement effected thereby;
- (d) the secured liabilities described in the Security Documents include indebtedness, liabilities and obligations arising under or in relation to the Amended Credit Agreement, and the Liens granted thereunder extend thereto; and
- (e) all references to “this Agreement” or the “Credit Agreement” and all similar references in any of the other Loan Documents shall hereafter mean and be a reference to the Amended Credit Agreement without any requirement to amend such Loan Documents.

**VILLAGE FARMS INTERNATIONAL, INC.**  
by its authorized signatory

**Name:** Stephen C. Ruffini

**SCHEDULE A**  
**AMENDED CREDIT AGREEMENT**

See attached.

**CREDIT AGREEMENT**

dated as of

**April 17, 2025**

among

**PURE SUNFARMS CORP.**

as Borrower

and

**THE LENDERS FROM TIME TO TIME PARTIES HERETO**

as Lenders

and

**CANADIAN IMPERIAL BANK OF COMMERCE**

as Administrative Agent

and

**CANADIAN IMPERIAL BANK OF COMMERCE**

as Lead Arranger and Sole Bookrunner

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(1) Except as set out in clause (2) below, this Agreement and the Security Documents are for the sole benefit of the Parties and nothing in them, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement or the Security Documents..... [4546](#)

(3) Notwithstanding clause (2) above or any other term of this Agreement or any Security Document, the consent of any Non-Party Beneficiary or other Person who is not a Party is not required to amend, modify or supplement this Agreement or any Security Document..... [4546](#)

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Loans or Daily Compounded CORRA Loans, as applicable, shall be suspended (to the extent of the affected Term CORRA Loans, or Daily Compounded CORRA Loans, as applicable, or affected Interest Periods) until the Administrative Agent (with respect to clause (b), at the instruction of the Required Lenders) revokes such notice.....~~55~~57

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(5) Subject to Section 2.12(1), if the Administrative Agent determines (which determination shall be conclusive and binding absent manifest error) that “Adjusted Term CORRA” cannot be determined pursuant to the definition thereof on any given day, the interest rate on Canadian Prime Loans shall be determined by the Administrative Agent without reference to clause (b) of the definition of “Canadian Prime Rate” until the Administrative Agent revokes such determination~~55~~58

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(b)	has good leasehold title to the D2 Property; and	<a href="#">7982</a>
(c)	has good right, full power and absolute authority (and has obtained all consents required) to mortgage the D2 Property and convey the D2 Lease to the Agent;	<a href="#">7982</a>

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		(1) Successors and Assigns...	<del>121</del> <u>124</u>
		(2) Assignment by Lenders...	<del>121</del> <u>124</u>

(a) except in the case of an assignment to a Lender or a Lender Affiliate must give its prior written consent to such assignment (which consent shall not be unreasonably withheld, conditioned or delayed and the Borrower shall be deemed to have consented to an assignment unless it shall have objected thereto by written notice to the Administrative Agent within three (3) Business Days after having received notice thereof);.....~~121~~124

(b) except in the case of an assignment of (i) any Revolving Credit Commitment to an assignee that is a Lender with a Revolving Credit Commitment immediately prior to giving effect to such assignment ~~the Administrative Agent must give its prior written consent to such assignment (which consent shall not be unreasonably withheld, conditioned, or delayed~~(ii);.....~~121~~124

(c) the Borrower's consent shall not be required with respect to any assignment made at any time after the occurrence and during the continuance of an Event of Default,.....~~121~~124

(d) except in the case of an assignment to an existing Lender or a Lender Affiliate or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date on which the Assignment and Assumption relating to such assignment is delivered to the Administrative Agent) shall (i) not be less than \$1,000,000 and (ii) the amount held by each Lender after each such assignment shall not be less than.....~~121~~125

(e) each partial assignment in respect of a Commitment and the related Loans shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement in respect of such Commitment and the related Loans;.....~~122~~125

(f) the parties to each assignment shall execute and deliver to the Administrative Agent (x) an Assignment and Assumption, Assumption or (y) to the extent applicable, an agreement incorporating an Assignment and Assumption by reference pursuant to a Platform as to which the

Administrative Agent and the parties to the Assignment and Assumption are participants, together with (except in the case of an assignment to an existing Lender or a Lender Affiliate) a processing and recordation fee of [+22125](#)

(g) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and [+22125](#)

(h) no assignment may be made to Credit Party, any Affiliate of any Credit Party, any Subordinate Creditor or a Defaulting Lender [+22125](#)

	(3)	Register	<a href="#">+22125</a>
(4)		Acceptance and Recording of Assignments	<a href="#">+22126</a>
	(5)	Participations	<a href="#">+23126</a>
	(6)	Rights of Participant	<a href="#">+23126</a>
	(7)	Lender Pledge of Security	<a href="#">+23126</a>
	(8)	Borrower's Obligations	<a href="#">+23126</a>
9.5		Anti-Money Laundering Legislation	<a href="#">+23127</a>
	(1)	Information	<a href="#">+23127</a>
	(2)	Role of Agent	<a href="#">+24127</a>
9.6		Acknowledgement and Consent to Bail-In of Affected Financial Institutions	<a href="#">+24127</a>
	9.7	Survival	<a href="#">+24128</a>
	9.8	Execution	<a href="#">+25128</a>

(3) Each Party agrees that, at any time, the Administrative Agent and each Lender may convert paper records of this Agreement, the other Loan Documents and all other documentation delivered to the Administrative Agent hereunder in such capacity (each, a "Paper Record") into electronic images (each, an "Electronic Image") as part of the Administrative Agent's or Lender's, as applicable, normal business practices. Each party hereto agrees that each such Electronic Image shall be considered as an authoritative copy of the Paper Record and shall be legally binding on the parties and admissible in any legal, administrative or other proceeding as conclusive evidence of the contents of such document in the same manner as the original Paper Record [+25128](#)

9.9		Entire Agreement	<a href="#">+25129</a>
9.10		Severability	<a href="#">+26129</a>
9.11		Right of Set Off	<a href="#">+26129</a>
9.12		Governing Law	<a href="#">+26129</a>
9.13		Attornment	<a href="#">+26129</a>
9.14		Service of Process	<a href="#">+26130</a>
9.15		WAIVER OF JURY TRIAL	<a href="#">+27130</a>
9.16		Confidentiality; Press Releases and Public Announcements	<a href="#">+27130</a>
9.17		Application under the CCAA	<a href="#">+28131</a>
9.18		No Strict Construction	<a href="#">+28131</a>
9.19		Release of Security	<a href="#">+28131</a>

9.20	Paramountcy..	<del>129</del> <u>132</u>
9.21	Excluded Swap Obligations....	<del>129</del> <u>132</u>
9.22	No Advisory or Fiduciary Responsibility.....	<del>129</del> <u>132</u>
9.23	LIMITATION OF LIABILITY.....	<del>130</del> <u>133</u>

**Exhibits:**

- Exhibit A - Form of Borrowing Base Report
- Exhibit B - Form of Borrowing Request
- Exhibit C - Form of Compliance Certificate
- Exhibit D - Form of Assignment and Assumption Agreement

**Schedules:**

- Schedule 1.1(A) - Initial Security Documents
- Schedule 2.1 - Lenders and Commitments
- Schedule 3.1(3) - Governmental Approvals; No Conflicts
- Schedule 3.1(5) - Litigation
- Schedule 3.1(7) - Cannabis Investments
- Schedule 3.1(17) - Pension Plans
- Schedule 3.1(18) - Casualty Events
- Schedule 3.1(19) - Subsidiaries Schedule
- 3.1(23) - Material Contracts
- Schedule 3.1(24) - Environmental Matters
- Schedule 3.1(25) - Employee Matters
- Schedule 3.1(30) - Filing Jurisdictions
- Schedule 5.1(8) - Post-Closing Requirements
- Schedule 5.1(9) - Insurance Claims
- Schedule 6.1(11) - Restrictive Agreements
- Schedule 9.1 - Lender and Issuing Bank Contact Information

## CREDIT AGREEMENT

**THIS CREDIT AGREEMENT** dated as of April 17, 2025 is made among **PURE SUNFARMS CORP.**, as borrower, the financial institutions from time to time parties hereto, as Lenders, **CANADIAN IMPERIAL BANK OF COMMERCE**, as administrative agent, lead arranger, and sole bookrunner.

### RECITALS

**WHEREAS** the Lenders have agreed to provide certain credit facilities to the Borrower;

**NOW THEREFORE**, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged by each party hereto, the parties hereto agree as follows:

### ARTICLE 1 DEFINITIONS

#### 1.1 Definitions.

In this Agreement:

“**Acquisition**” means any transaction, or any series of related transactions, consummated after the Closing Date, by which any Credit Party directly or indirectly, by means of a sale agreement, takeover bid, tender offer, amalgamation, merger or other business combination, plan of arrangement, purchase of assets, joint venture or otherwise:

- (a) acquires any business (including any division of a business) or all or substantially all of the assets of any Person;
- (b) acquires control of securities of a Person representing more than 50% of the ordinary voting power for the election of directors or other governing position if the business affairs of such Person are managed by a board of directors or other governing body;
- (c) acquires control of more than 50% of the ownership interest in any Person that is not managed by a board of directors or other governing body; or
- (d) otherwise acquires Control of a Person.

“**Acquisition Cost**” means, with respect to any Acquisition, the aggregate amount of consideration paid or payable in exchange for the subject-matter of such Acquisition; provided that, for the purposes of determining the Acquisition Cost of such Acquisition, (i) the amount of any non-cash consideration shall be equal to its Fair Market Value as at the time of such Acquisition, and (ii) the amount of any Investment made by a Credit Party since the Closing Date in the applicable Target shall be included in its Acquisition Cost.

“**Acquisition Notice**” means a notice from the Borrower to the Administrative Agent:

- (a) stating the intention of a Credit Party to make an Acquisition;
- (b) stating whether shares or assets (or both) are proposed to be acquired;

- (c) setting forth the name, address and jurisdiction of incorporation or other organization of the Target; and
- (d) executed by a Responsible Officer of the Borrower.

“**Adjusted Daily Compounded CORRA**” means, for purposes of any calculation, the rate per annum equal to (a) Daily Compounded CORRA for such calculation plus (b) the Daily Compounded CORRA Adjustment; provided that if Adjusted Daily Compounded CORRA as so determined shall be less than the Floor, then Adjusted Daily Compounded CORRA shall be deemed to be the Floor.

“**Adjusted EBITDA**” means, with respect to any Rolling Period, an amount equal to EBITDA less the sum of:

- (a) Cash Income Tax Expense;
- (b) Unfunded Capex Expense; and
- (c) Specified Restricted Payment Expense,

in each case for such Rolling Period; provided that (i) at any time the Borrower may exclude in writing an aggregate of up to \$7,100,000 of specific items of Cash Income Tax Expense, Unfunded Capex Expense and Specified Restricted Payment Expense solely for the purpose of calculating Adjusted EBITDA, and (ii) Specified Restricted Payment Expense shall be calculated on an Annualized basis, as applicable.

“**Adjusted Term CORRA**” means, for purposes of any calculation, the rate per annum equal to (a) Term CORRA for such calculation plus (b) the Term CORRA Adjustment; provided that if Adjusted Term CORRA as so determined shall ever be less than the Floor, then Adjusted Term CORRA shall be deemed to be the Floor.

“**Administrative Agent**” means Canadian Imperial Bank of Commerce in its capacity as administrative agent for the Lenders hereunder, or any successor Administrative Agent appointed pursuant to Section 8.10.

“**Administrative Questionnaire**” means an administrative questionnaire in a form supplied by the Administrative Agent.

“**Affected Financial Institution**” means (a) any EEA Financial Institutions or (b) any UK Financial Institution.

“**Affiliate**” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with, such Person.

“**Agent Parties**” has the meaning set out in Section 9.1(6)(b).

“**Agreement**” means this credit agreement and all the Exhibits and the Schedules attached hereto.

“**Amortization Payments**” means, collectively, the mandatory repayments of the [Term Loans and the Delayed Draw](#) Term Loans required to be made pursuant to Section 2.7(2) [and Section 2.7\(3\), respectively](#), including the mandatory repayment due on the Term Maturity Date [and the Delayed Draw Term Maturity Date](#).

“**AML Legislation**” means the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and other applicable anti-money laundering, anti-terrorist financing, government sanction and “know your client” applicable Laws, whether within Canada or elsewhere, including any regulations, guidelines or orders thereunder.

“**Annualized**” means that, for the purpose of computation or determination of any amount for:

- (a) the Fiscal Quarter ending March 31, 2025, the annualized amount shall be the actual such amount for such Fiscal Quarter, multiplied by 4;
- (b) the Fiscal Quarter ending June 30, 2025, the annualized amount shall be the actual such amount for the two Fiscal Quarters then ended, multiplied by 2; and
- (c) the Fiscal Quarter ending September 30, 2025, the annualized amount shall be the actual such amount for the three Fiscal Quarters then ended, multiplied by 4/3.

“**Anti-Corruption Laws**” means all laws, rules, and regulations of any jurisdiction applicable to the Credit Parties and their Affiliates from time to time concerning or relating to bribery or corruption, including without limitation the *Corruption of Foreign Public Officials Acts* (Canada) and the *Criminal Code* (Canada).

“**Applicable Margin**” means the applicable rate per annum, expressed as a percentage, set out in the relevant column and row of the table below, based on the Leverage Ratio as at the most recent Quarterly Date with respect to which the Borrower has delivered financial information to the Administrative Agent pursuant to Section 5.1(1).

Level	Leverage Ratio	CORRA Loan or Letter of Credit	Canadian Prime Loan	Standby Fee
I	***Redacted – Commercially Sensitive Information***			
II	***Redacted – Commercially Sensitive Information***			
III	***Redacted – Commercially Sensitive Information***			
IV	***Redacted – Commercially Sensitive Information***			
V	***Redacted – Commercially Sensitive Information***			

As of the Closing Date, the initial Applicable Margin shall be based upon Level III. Thereafter,

the Applicable Margin shall change (to the extent necessary, if any) on each date on which the financial statements and Compliance Certificate of the Borrower are delivered to the Administrative Agent pursuant to Section 5.1(1) to reflect any change in the Leverage Ratio on the date of such financial statements, based upon the financial statements for the immediately

preceding Rolling Period, or if such delivery date is not a Business Day, then the first Business Day thereafter. Notwithstanding the foregoing, if at any time the Borrower fails to deliver financial statements and the certificate of the Borrower as required by Section 5.1(1) on or before the date required pursuant to Section 5.1(1) (without regard to grace periods), the Applicable Margin shall be the highest margins provided for in the above grid from the date such financial statements are due pursuant to Section 5.1(1) (without regard to grace periods) through the date the Administrative Agent receives all financial statements and certificates that are then due pursuant to Section 5.1(1).

“**Applicable Percentage**” means, in respect of any Lender at any time, with respect to a Credit or all Credits, the percentage of such Credit or of all Credits, as the case may be, which such Lender has agreed to make available to the Borrower at such time, determined by dividing such Lender’s Commitment in respect of such Credit or of all Credits, as the case may be, by the aggregate of all of the Lenders’ Commitments with respect to such Credit or all Credits, as the case may be; provided that, when a Defaulting Lender exists, “Applicable Percentage” shall be determined without reference to any Commitment of such Defaulting Lender, provided that, for the purposes of determining a Lender’s share of a Borrowing under the Revolving Credit pursuant to Section 2.2(1), the Applicable Percentage of each Lender shall be calculated net of the Swingline Commitment. If any Commitments have terminated or expired, the Applicable Percentages in respect of the terminated or expired Commitments shall be determined based upon the relevant Commitments most recently in effect (prior to their termination or expiry), giving effect to any assignments and to any Lender’s status as a Defaulting Lender at the time of determination.

“**Approved Cannabis Jurisdiction**” means:

- (a) In respect of any Credit Party, a Cannabis Jurisdiction designated in writing as such by the Required Lenders in their sole discretion and upon the written request of the Borrower. It is understood that as a condition of such designation the Required Lenders may require, *inter alia*, a legal opinion of local counsel in the jurisdiction in question, such opinion to be in form and substance satisfactory to the Administrative Agent and confirm which Cannabis Activities are permitted in such jurisdiction. The Required Lenders in their sole discretion from time to time may revoke the designation of any jurisdiction as an Approved Cannabis Jurisdiction by written notice to the Borrower if at the time of such revocation such jurisdiction has ceased to be a Cannabis Jurisdiction. Canada, Australia, Germany, the United Kingdom, New Zealand, Switzerland, Poland and Israel are Approved Cannabis Jurisdictions as at the Closing Date. Notwithstanding the foregoing, the United States shall not be designated an Approved Cannabis Jurisdiction except (a) with the written consent of all Lenders in their sole discretion.
- (b) In respect of any Group Party other than the Credit Parties, a Cannabis Jurisdiction.

Notwithstanding the foregoing, the United States shall not be designated an Approved Cannabis Jurisdiction with respect to the Group Parties except (a) with the written consent of all Lenders in their sole discretion; or (b) for the purpose of Industrial Hemp business engaged in by such Group Party in compliance with the Agriculture Improvement Act of 2018.

“**Approved Currency**” means, in respect of any Approved Cannabis Jurisdiction, the legal tender of such Approved Cannabis Jurisdiction.

“**Approved Electronic Platform**” has the meaning assigned to it in Section 9.1(6)(a).

“**Arranger**” means Canadian Imperial Bank of Commerce.

“**Asset Disposition**” means, with respect to any Person, the sale, lease, license, transfer, assignment or other disposition of, all or any portion of its business, assets, rights, revenues or property, real, personal or mixed, tangible or intangible, whether in one transaction or a series of transactions, other than (a) inventory sold in the ordinary course of business upon customary credit terms, (b) sales of worn-out, scrap, damaged or obsolete material or equipment, the economic value of which is not material in the aggregate, (c) leases of real property or personal property (under which such Person is lessor) entered into in the ordinary course of business, (d) licenses granted to third parties in the ordinary course of business, (e) transactions among Credit Parties, (f) transactions that constitute Permitted Investments or any redemption or repayment thereof, (g) transactions that constitute Restricted Payments permitted hereunder, (h) cash expenditures made to complete any transaction not prohibited hereunder, or (i) pursuant to a Casualty Event.

“**Assignment and Assumption**” means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.4), and accepted by the Administrative Agent, in the form of [To Be Added Once Formulas Settled]

Exhibit D or any other form (including electronic records generated by the use of an Approved Electronic Platform) approved by the Administrative Agent.

“**Authorization**” means, with respect to any Person, any authorization, order, permit, approval, grant, licence, consent, right, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decree, by-law, rule or regulation of any Governmental Authority having jurisdiction over such Person or its property, whether or not having the force of Law.

“**Auto Renew Letter of Credit**” has the meaning assigned to it in Section 2.19.

“**Available Tenor**” has the meaning assigned to it in Section 2.12(1)(f).

“**Bail-In Action**” means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

“**Bail-In Legislation**” means:

- (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation, rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule; and
- (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation, or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceeding).

“**Benchmark Replacement**” has the meaning assigned to it in Section 2.12(1)(f).

“**Benchmark Replacement Date**” has the meaning assigned to it in Section 2.12(1)(f).

“**Benchmark Transition Event**” has the meaning assigned to it in Section 2.12(1)(f).

“**Benchmark Unavailability Period**” has the meaning assigned to it in Section 2.12(1)(f).

“**BIA**” means the *Bankruptcy and Insolvency Act* (Canada).

“**Bonding Obligation**” means any reimbursement or indemnity obligation in respect of performance bonds, reclamation bonds and indemnities, surety bonds, appeal bonds, completion guarantees or like instruments (excluding letters of credit or letters of guarantee) issued to secure performance obligations incurred in the ordinary course of business.

“**Borrower**” means Pure Sunfarms Corp., a British Columbia corporation.

“**Borrowing**” means any avilment of any of the Credits, and includes any Loan, the issuance of a Letter of Credit (or any amendment thereto or renewal or extension thereof) and a rollover or conversion of any outstanding Loan.

“**Borrowing Base**” means, at any time, an amount (which shall not be less than zero) equal to the sum of:

- (a) 85% of the aggregate amount of all Eligible Receivables owing by Governmental Authorities domiciled in Canada; plus
- (b) 75% of the aggregate amount of all Eligible Receivables owing by any account debtors domiciled in Canada, other than Governmental Authorities; plus
- (c) the lower of (i) \$2,000,000; and (ii) 65% of the aggregate amount of all Eligible Receivables owing by any account debtors domiciled in Cannabis Jurisdictions; less
- (d) the aggregate amount of all Priority Payables of the Credit Parties;

in each case at such time.

“**Borrowing Base Report**” means the report of the Borrower concerning the amount of the Borrowing Base, to be delivered pursuant to Section 5.1(1), substantially in the form set out in Exhibit A.

“**Borrowing Request**” has the meaning set out in Section 2.3(1).

“**Business**” means (a) the production and sale of Cannabis, Cannabis products and Cannabis Activities, and (b) any business that is the same, similar or otherwise reasonably related, ancillary or complementary thereto.

“**Business Day**” means any day that is not a Saturday, Sunday or holiday (as defined in the *Interpretation Act* (Canada)) in Toronto, Ontario.

“**Canadian \$ Amount**” means, on any day, in relation to any Loans or Letters of Credit, the sum of (a) the amount of all such Loans and Letters of Credit that are denominated in Canadian Dollars, and (b) the Equivalent Amount of all such Loans and Letters of Credit that are expressed in Approved Currencies.

“**Canadian Dollars**”, “**\$**” and “**Cdn.\$**” refer to lawful currency of Canada.

“**Canadian Prime Borrowing**” means a Borrowing comprised of one or more Canadian Prime Loans.

“**Canadian Prime Loan**” means a Loan denominated in Canadian Dollars which bears interest at a rate based upon the Canadian Prime Rate.

“**Canadian Prime Rate**” means, on any day, the annual rate of interest equal to the greater of (a) the annual rate of interest announced by the Administrative Agent and in effect as its prime rate at its principal office in Toronto, Ontario on such day for determining interest rates on Canadian Dollar-denominated commercial loans in Canada, and (b) the annual rate of interest equal to the sum of (i) one-month Adjusted Term CORRA in effect on such day, plus (ii) 1.00%; provided that if the Canadian Prime Rate is at any time less than zero, the Canadian Prime Rate shall be deemed to be zero for the purposes of this Agreement.

**“Cannabis”** means:

- (a) any plant or seed, whether live or dead, from any species or subspecies of genus *Cannabis*, including *Cannabis sativa*, *Cannabis indica* and *Cannabis ruderalis*, Marijuana and Industrial Hemp and any part, whether live or dead, of the plant or seed thereof, including any stalk, branch, root, leaf, flower, or trichome;
- (b) any material obtained, extracted, isolated, or purified from the plant or seed or the parts contemplated by clause (a) of this definition, including any oil, cannabinoid, terpene, genetic material or any combination thereof;
- (c) any organism engineered to biosynthetically produce the material contemplated by clause (b) of this definition, including any micro-organism engineered for such purpose;
- (d) any biologically or chemically synthesized version of the material contemplated by clause (b) of this definition or any analog thereof, including any product made by any organism contemplated by clause (c) of this definition; and
- (e) any other meaning ascribed to the term “cannabis” under applicable Law, including the Cannabis Act, the *Controlled Drugs and Substances Act* (Canada) and the *Controlled Substances Act* (United States).

**“Cannabis Act”** means the *Cannabis Act*, SC 2018, c. 16, as amended or replaced from time to time.

**“Cannabis Activities”** means any activities (including advertising or promotional activities) relating to or in connection with the possession, exportation, importation, cultivation, production, processing, purchase, distribution or sale of Cannabis or Cannabis products, whether such activities are for medical, scientific, recreational or any other purpose. Notwithstanding the foregoing, the acquisition of services, assets, undertaking or property to facilitate such activities which are acquired or used in accordance with applicable Laws shall not constitute “Cannabis Activities”.

**“Cannabis Authorizations”** means, at any time, all Authorizations necessary or advisable for the conduct of Cannabis Activities by any Group Party. For the avoidance of doubt, each of the Health Canada Licences shall constitute a Cannabis Authorization.

**“Cannabis Jurisdiction”** means a country in which applicable Laws (at both the federal and, if applicable, provincial or state level) permit any Cannabis Activities.

**“Cannabis Laws”** means Laws with respect to Cannabis Activities (other than Laws of general application), including without limitation the Cannabis Act, the Cannabis Regulations and the *Controlled Drugs and Substances Act* (Canada) and, the Agriculture Improvement Act of 2018.

**“Cannabis Regulations”** means the regulations made from time to time under the Cannabis Act, the *Controlled Drugs and Substances Act* (Canada) and any other statute with respect to Cannabis Activities.

**“Capital Expenditures”** means, with respect to any Person for any period, all expenditures (whether paid in cash or accrued as a liability, including the portion of Capital Lease Obligations

originally incurred during such period that are capitalized) of such Person during such period that, in conformity with GAAP, are included in “capital expenditures”, “additions to property, plant or equipment”, “sustaining capital expenditures”, “maintenance capital expenditures” or comparable items, but excluding (a) increases in consolidated fixed or capital assets resulting solely from Permitted Acquisitions (other than expenditures made after the date of any such Permitted Acquisition), (b) expenditures for the restoration, repair or replacement of any fixed or capital asset that was destroyed or damaged, in whole or in part, in an amount not exceeding any insurance proceeds received in connection with such destruction or damage, and (c) increases in capital assets resulting from expenditures in respect of fixed or capital assets made by a Person other than such first Person so long as such first Person has no obligation to reimburse such other Person for such expenditures.

“**Capital Lease Obligations**” of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases or financing leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

“**Cash Balance**” means, at any time, the aggregate amount of cash and Cash Equivalents of the Borrower determined on a Consolidated basis as at such time.

“**Cash Equivalents**” means any of the following:

- (a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the Government of Canada or of any Canadian province (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the Government of Canada or of such Canadian province), in each case maturing within one year from the date of acquisition thereof;
- (b) investments in certificates of deposit and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of Canada or of any Canadian province which has a combined capital surplus and undivided profits of not less than \$1,000,000,000;
- (c) marketable and freely tradeable securities evidencing direct obligations of corporations, hospitals, municipal boards or school boards having, at the date of acquisition, a rating from DBRS of A, from Moody’s of A 2 or from S&P of A, in each case maturing within 180 days from the date of acquisition thereof; or
- (d) credit balances in bank accounts and securities accounts not prohibited hereunder.

“**Cash Income Tax Expense**” means, with respect to any period, the amount paid in cash during such period on account of Income Tax Expense.

“**Cash Management Services**” means any one or more of the following types of services or facilities provided to any Credit Party by a Lender or any Lender Affiliate (a) Automated Clearing House transactions, (b) cash management services, including controlled disbursement services, treasury, depository, overdraft, and electronic funds transfer services, (c) foreign

exchange facilities, (d) credit card processing services, (e) credit or debit cards, and (f) purchase cards.

“**Casualty Event**” means, with respect to any Person, the expropriation, condemnation, destruction or other involuntary loss of all or any portion of its business, assets, rights, revenues or property, real, personal or mixed, tangible or intangible.

“**CCAA**” means the *Companies’ Creditors Arrangement Act* (Canada).

“**CCAA Plan**” has the meaning set out in Section 9.17.

“**Change in Law**” means (i) the adoption or taking effect of any new Law after the date of this Agreement, (ii) any change in any existing Law or in the administration, interpretation, implementation or application thereof by any Governmental Authority after the date of this Agreement, or (iii) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law, by any Governmental Authority made or issued after the date of this Agreement.

“**Change of Control**” means:

- (a) the Borrower ceasing to be a direct Wholly-Owned Subsidiary of Village.
- (b) the ownership, directly or indirectly, beneficially or of record, by any Person or group of Persons acting jointly or otherwise in concert, of Equity Securities representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding Equity Securities of Village;
- (c) the occupation of a majority of the seats (other than vacant seats) on the board of directors of Village by Persons who were neither (i) nominated by the board of directors of Village nor (ii) appointed by directors so nominated;
- (d) the direct or indirect Control of Villager by any Person or group of Persons acting jointly or otherwise in concert; or

unless, in the case of (b), (c) or (d) above, consented to in writing in advance by the Required Lenders, such consent not to be unreasonably withheld or delayed. For the avoidance of doubt, an agreement to cause any of the aforementioned events to occur shall not in and of itself result in a Change of Control, which shall only occur upon actual consummation.

“**Closing Date**” means April 17, 2025 being the date on which this Agreement is executed and delivered by the parties hereto.

“**Collateral**” means the property of the Credit Parties described in and subject to the Liens, privileges, priorities and security interests purported to be created by any Security Document.

“**Combined**” means, when used with respect to any financial term, financial covenant, financial ratio or financial statement, such financial term, financial covenant, financial ratio or financial statement calculated, prepared or determined, as applicable, with respect to the Borrower and Rose Lifesciences, each on a consolidated basis in accordance with GAAP consistently applied

but without regard to accounts or earnings as between the Credit Parties to which consolidation does not apply.

**“Commercial Off-The-Shelf Software”** means software that was obtained from a third party on general commercial terms widely and readily available for purchase by the general public on such commercial terms, and was licensed on a non-exclusive basis for fixed payments of less than \$10,000 in the aggregate or annual payments of less than \$10,000 per year.

**“Commitment”** means, with respect to each Lender, the commitment(s) of such Lender to make Revolving Loans ~~or~~, Term Loans or Delayed Draw Term Loans hereunder as, in the case of the Revolving Credit Commitments, such commitment may be reduced from time to time pursuant to Sections 2.6 or 2.9, and as such commitment(s) may be reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.4. The initial amount(s) of each Lender’s Commitment(s) are set out in Schedule 2.1, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment(s), as applicable. The initial (a) Total Revolving Credit Commitments is \$10,000,000, ~~and~~ (b) ~~the~~ Total Term Credit Commitments ~~is~~ was \$27,400,000, and (c) Total Delayed Draw Term Credit Commitments is \$15,000,000.

**“Commodity Exchange Act”** means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

**“Communications”** has the meaning specified in Section 9.1(6)(b).

**“Compliance Certificate”** means a certificate of the Borrower in the form attached hereto as Exhibit C, signed by a Responsible Officer of the Borrower. For the avoidance of doubt, it is the intention of the parties that each Compliance Certificate shall constitute an agreement in favour of the Administrative Agent pursuant to which new Liens are granted by the Credit Parties in Crops.

**“Conflict of Interest”** means any circumstance in which a Lender, as of the date of any Acquisition Notice, shall have a business relationship, either directly or through a Lender Affiliate, with the applicable Target.

**“Conforming Changes”** has the meaning specified in Section 2.12(1)(f).

**“Connection Income Taxes”** means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profit Taxes.

**“Consolidated”** means, when used with respect to any financial term, financial covenant, financial ratio or financial statement, such financial term, financial covenant, financial ratio or financial statement calculated, prepared or determined, as applicable, for the Borrower in accordance with GAAP consistently applied.

**“Control”** means, in respect of a particular Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise. **“Controlling”** and **“Controlled”** have meanings correlative thereto.

“**CORRA**” means the Canadian Overnight Repo Rate Average administered and published by the Bank of Canada (or any successor administrator).

“**CORRA Borrowings**” means Term CORRA Borrowings and Daily Compounded CORRA Borrowings.

“**CORRA Loans**” means Term CORRA Loans and Daily Compounded CORRA Loans.

“**Credit Parties**” means, collectively, the Borrower and any Guarantors (other than Village), and “**Credit Party**” means any one of them. For the avoidance of doubt, Village shall not be a Credit Party.

“**Credit Party Guarantee**” means the multi-party unlimited guarantee dated as of the date hereof in favour of the Administrative Agent with respect to the debts, liabilities and obligations of the Credit Parties under the Loan Documents.

“**Credits**” means, collectively, the Revolving Credit ~~and~~, the Term Credit and the Delayed Draw Term Credit, and “**Credit**” means any one of the Credits.

“**Crops**” means “crops” as defined in the PPSA.

“**Currency Date**” has the meaning specified in Section 2.17.

“**Daily Compounded CORRA**” means, for any day, CORRA with interest accruing on a compounded daily basis, with the methodology and conventions for this rate (which will include compounding in arrears with a lookback) being established by the Administrative Agent in accordance with the methodology and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded CORRA for business loans; provided that if the Administrative Agent decides that any such convention is not administratively feasible for the Administrative Agent, then the Administrative Agent may establish another convention in its reasonable discretion; and provided that if the administrator has not provided or published CORRA and a Benchmark Replacement Date with respect to CORRA has not occurred, then, in respect of any day for which CORRA is required, references to CORRA will be deemed to be references to the last provided or published CORRA; and provided that if Daily Compounded CORRA as so determined for any day shall be less than the Floor, then Daily Compounded CORRA for such day shall be deemed to be the Floor.

“**Daily Compounded CORRA Adjustment**” means, for any calculation with respect to a Daily Compounded CORRA Loan, a percentage per annum as set forth below for the applicable Interest Period therefor:

<u>Interest Period</u>	<u>Percentage</u>
One month	0.29547%
Three months	0.32138%

“**Daily Compounded CORRA Borrowing**” means a Borrowing comprised of one or more Daily Compounded CORRA Loans.

“**Daily Compounded CORRA Loan**” means a Loan denominated in Canadian Dollars that bears interest at a rate based upon Adjusted Daily Compounded CORRA.

“**DBRS**” means Dominion Bond Rating Service Limited, or its successor.

“**Default**” means any event or condition that constitutes an Event of Default or that, upon notice, lapse of time or both, would, unless cured or waived, become an Event of Default.

“**Default Interest**” has the meaning set out in Section 2.5(2)(a).

“**Defaulting Lender**” means any Lender that (a) has failed to fund any portion of the Loans or perform its obligations under Section 2.1 within three Business Days of the date it is required to do so, unless the failure has been cured, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it under this Agreement within three Business Days of when due, unless the payment is the subject of a good faith dispute or unless the failure has been cured, (c) is an Insolvent Lender, or (d) becomes the subject of a Bail-In Action; provided that a Lender shall cease to be a Defaulting Lender when none of aforementioned criteria continue to apply to it.

“**Defined Benefit Plan**” means a pension plan registered under the ITA, the *Pension Benefits Act* (Ontario) or any other applicable pension standards legislation which contains a “defined benefit provision”, as such term is defined in subsection 147.1(1) of the ITA.

“**Delayed Draw Term Credit**” means the \$15,000,000 delayed draw term credit established by the Delayed Draw Term Credit Lenders pursuant to their Delayed Draw Term Credit Commitments.

“**Delayed Draw Term Credit Amortization Amount**” means, at any time, an amount equal to 1.25% multiplied by the Delayed Draw Term Credit Reference Amount as at such time.

“**Delayed Draw Term Credit Commitment**” has the meaning set out in Section 2.1(3).

“**Delayed Draw Term Credit Exposure**” means, with respect to any Lender at any time, the Canadian \$ Amount of the outstanding principal amount of such Lender’s Delayed Draw Term Loans at such time.

“**Delayed Draw Term Credit Lender**” means any Lender having a Delayed Draw Term Credit Commitment hereunder or a Delayed Draw Term Loan outstanding hereunder.

“**Delayed Draw Term Credit Maturity Date**” means February 7, 2029.

“**Delayed Draw Term Credit Reference Amount**” means, at any time, the aggregate Cdn. \$ Amount of Delayed Draw Term Loan Loans outstanding from and after the First Amendment Date until such time. For the avoidance of doubt, such amount shall not take into account any payments made upon Delayed Draw Term Loans.

“**Delayed Draw Term Loan**” has the meaning set out in Section 2.1(3).

“**D2 Greenhouse Expansion**” means the construction and related activities to modify the greenhouse located on the real property subject to the D2 Lease and the facility located on the D3

Property to assist with the cultivation of Cannabis, create dry rooms and assist with certain research and development activities.

“D2 Greenhouse Expansion Budget” means the budget developed by the Borrower with respect to the D2 Greenhouse Expansion and dated January 10, 2026, as provided to the Administrative Agent prior to the First Amendment Date.

“D2 Greenhouse Expansion Expenses” means expenses incurred with respect to the D2 Greenhouse Expansion.

“D2 Lease” means the lease dated March 29, 2019 and entered into between Village and Village LP as the landlord of the Borrower, a short form of which was registered on March 31, 2020 in the New Westminster Land Title Office under instrument numbers CA8117347 and CA8117348 against title to the real property municipally known as 4526 80th Street, Delta, BC, and legally described as:

PID: 024-579-254 PARCEL 1 SECTION 32 TOWNSHIP 3 NEW WESTMINSTER DISTRICT  
PLAN LMP42884 EXCEPT PLANS LMP50211, BCP25716, BCP44198  
AND EPP76249.

“D2 Property” means the leasehold interest of the Borrower created by the D2 Lease.

“D3 Property” means the real property municipally known as 4431 80th Street, Delta, BC, and legally described as:

PID: 001-402-064 THE SOUTH HALF OF THE NORTH EAST QUARTER OF SECTION 31  
TOWNSHIP 3 NEW WESTMINSTER DISTRICT EXCEPT: PART  
INCLUDED IN A 5.16 ACRE PORTION SHOWN ON REFERENCE  
PLAN 8317; PORTION INCLUDED IN THAT PART OF THE NORTH  
HALF OF SECTION 31 SHOWN ON EXPROPRIATION PLAN 7066;  
PARCEL “D” REFERENCE PLAN 38003; PART DEDICATED ROAD  
ON PLAN BCP19927 AND PART ON PLAN BCP47239.

“Depreciation Expense” means, with respect to any period, the collective depreciation, depletion impairment and amortization expense of the Borrower for such period, determined on a Consolidated basis.

“EBITDA” means, for any period, an amount equal to Net Income for such period minus, to the extent included in such Net Income (but without duplication):

- (a) any non-cash income and gains (including unrealized mark-to-market gains under Hedge Arrangements); and
- (b) any extraordinary or non-recurring income and gains;

plus, to the extent deducted from such Net Income (but without duplication):

- (c) Interest Expense;
- (d) Income Tax Expense;

- (e) Depreciation Expense;
- (f) any non-cash expenses and losses (including unrealized mark-to-market losses under Hedge);
- (g) any extraordinary or non-recurring charges, expenses or losses, to the extent approved by the Required Lenders in writing; and
- (h) non-recurring cash expenses relating to the Transactions of not more than \$500,000;

all determined on a Consolidated basis with respect to such period; provided that:

- (i) in respect of (i) each Person which has become a Subsidiary in such period, or (ii) an Acquisition of assets in such period, EBITDA shall be determined as if (A) such Person had been a Subsidiary during the entire such period, or (B) such EBITDA producing assets had been possessed by such Person during the entire such period, as applicable;
- (j) in respect of (i) each Person which has ceased to be a Subsidiary in such period, or (ii) a disposition or sale of assets during such period, EBITDA shall be determined as if (A) such Person had not been a Subsidiary during the entire such period, or (B) such EBITDA producing assets had not been possessed by such Person during the entire such period, as applicable; and
- (k) for the purposes of calculating the financial covenants in Section 5.1(13) and “Adjusted EBITDA”, paragraph (g) of this definition shall include a one-time only write-down to net realizable value, to be taken in the Fiscal Quarter ended December 31, 2024, in respect of inventory that is in existence as of such dates, to an aggregate limit of \$15,000,000; provided that the net income generated on any written down inventory, in any Fiscal Quarter following September 30, 2025 shall be excluded from the Borrower’s EBITDA calculation.

“**EDC**” means Export Development Canada and its successors.

“**EDC-Backed LC**” means any one unsecured Letter of Credit:

- (a) issued on behalf of the Borrower by Canadian Imperial Bank of Commerce in favour of British Columbia Hydro and Power Authority;
- (b) that is subject to an account performance security guarantee in favour of Canadian Imperial Bank of Commerce from EDC; and
- (c) has a face value not exceeding \$10,000,000

and includes any renewal thereof.

“**EDC-Backed Indebtedness**” means all Indebtedness under, pursuant to, or in connection with, the EDC-Backed LC.

“**EEA Financial Institution**” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution

described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“**EEA Member Country**” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“**EEA Resolution Authority**” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“**Electronic Signature**” means an electronic sound, symbol or process attached to, or associated with, a contract or other record and adopted by a Person with the intent to sign, authenticate or accept such contract or record.

“**Eligible Receivable**” means, at any time, the invoice amount, including all GST, HST, PST and other Tax (which, in the case of an Approved Currency other than Canadian Dollars, shall be the Equivalent Amount in Canadian Dollars at such time of the amount denominated in such Approved Currency), owing on each Receivable of the Borrower (net of any credit balance, returns, trade discounts, unapplied cash, unbilled amounts or retention or finance charges); provided that, in any event, no Receivable shall be deemed an Eligible Receivable unless each of the following statements is accurate and complete (and by including such Receivable in any computation of the applicable Borrowing Base, the Borrower shall be deemed to represent and warrant to the Administrative Agent and the Lenders the accuracy and completeness of such statements and the compliance of each such Receivable with each such other eligibility standard established by the Administrative Agent):

- (a) such Receivable is a binding and valid obligation of the obligor thereon and is in full force and effect, consisting of the sale of goods or the provision of services by the Borrower to the applicable obligor;
- (b) such Receivable is evidenced by an invoice;
- (c) such Receivable is genuine as appearing on its face or as represented in the books and records of the Borrower;
- (d) such Receivable is free from claims regarding rescission, cancellation or avoidance, whether by operation of applicable Law or otherwise;
- (e) such Receivable is not outstanding for more than (i) 121 days past the original invoice date thereof where the account debtor is a Governmental Authority; or (ii) 91 days past the original invoice date thereof where the account debtor is not a Governmental Authority, in each case regardless of the due date specified in such invoice for payment;
- (f) such Receivable is net of concessions, offset, deduction, contra, contra in respect of progress billings, chargebacks or understandings with the obligor thereon that in any way could reasonably be expected to adversely affect the payment of, or the amount of, such Receivable;

- (g) the Administrative Agent on behalf of the Lenders, has a first-priority perfected Lien covering such Receivable and such Receivable is, and at all times will be, free and clear of all other Liens other than unregistered Liens in respect of Priority Payables that are not yet due and payable;
- (h) the obligor on such account is not an Affiliate, director, officer or employee of any Credit Party or a Related Party thereof;
- (i) such account arose in the ordinary course of business of the applicable Credit Party out of the sale of goods or services by such Credit Party;
- (j) the obligor on such account is not an individual, and is not the subject of any bankruptcy or insolvency proceeding, does not have a trustee or receiver appointed for all or a substantial part of its property, has not made an assignment for the benefit of creditors, admitted its inability to pay its debts as they mature or suspended its business, and the Administrative Agent, in its reasonable discretion, is otherwise satisfied with the credit standing of such obligor;
- (k) if the account arises in respect of the sale of Cannabis or any other Cannabis Activity, the account obligor is located in a Cannabis Jurisdiction;
- (l) in the case of the sale of goods, the subject goods have been completed, sold and shipped, on a true sale basis on open account, or subject to contract, and not on consignment, on approval, on a “sale or return” basis, or on a “bill and hold” or “pre-sale” basis or subject to any other repurchase or return agreement, and no material part of the subject goods has been returned, rejected, lost or damaged;
- (m) the account is not in dispute or subject to any defence, counterclaim or claim by the obligor for credit, set-off, allowance or adjustment;
- (n) the Borrower does not have any obligation to hold any portion of the account in trust or as agent for any other Person;
- (o) each of the representations and warranties set out herein and in the Security Documents with respect to such account is true and correct on such date;
- (p) no cheque, promissory note, draft, trade acceptance or other instrument received with respect to such account (or with respect to any other account due from the same account debtor) and presented for payment has been returned uncollected for any reason;
- (q) such account is not in respect of a volume rebate;
- (r) the Administrative Agent does not believe, in the exercise of its reasonable discretion, that the prospect of collection of such account is impaired or that the account may not be paid because of the account debtor’s inability to pay or any other reason as may be customary either in the commercial lending industry or in the lending practices of the Administrative Agent;
- (s) any statutory limitation or restriction on the assignment of such account has been complied with;

- (t) the assignment (whether absolutely or by way of security) of such account is not limited or restricted by the terms of the contract evidencing or relating to such Account or, if assignment of such account is so restricted, such limitation or restriction has been complied with or the laws of the jurisdiction(s) governing the validity of such assignment provide that such limitation or restriction is ineffective as against the secured creditor with a security interest therein; and
- (u) such account is not evidenced by chattel paper or a promissory note or an instrument of any kind unless same has been delivered to the Administrative Agent and is subject to a Lien under the Security Documents.

“**Environmental Laws**” means all Laws relating in any way to the environment, preservation or reclamation of natural resources, the generation, use, handling, collection, treatment, storage, transportation, recovery, recycling, release, threatened release or disposal of any Hazardous Material, or to health and safety matters.

“**Environmental Liability**” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities) of any Credit Party directly or indirectly resulting from or based upon (a) the violation of any Environmental Laws, (b) the generation, use, handling, collection, treatment, storage, transportation, recovery, recycling or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the Release or threatened Release of any Hazardous Materials into the environment, or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“**Equity Injection**” means (a) any sale or issuance of any Equity Securities by the Borrower to Village, or (b) the making of any capital contribution by Village to the Borrower.

“**Equity Securities**” means, with respect to any Person, any and all shares, interests, participations, rights in, or other equivalents (however designated and whether voting and non-voting) of, such Person’s capital, whether outstanding on the date hereof or issued after the date hereof, including any interest in a partnership, limited partnership or other similar Person and any beneficial interest in a trust, and any and all rights, warrants, debt securities, options or other rights exchangeable for or convertible into any of the foregoing.

“**Equivalent Amount**” with respect to any two currencies, the amount obtained in one such currency when an amount in the other currency is converted into the first currency using the spot rate of exchange for such conversion as quoted by the Bank of Canada at the close of business on the Business Day that such conversion is to be made (or, if such conversion is to be made before close of business on such Business Day, then at close of business on the immediately preceding Business Day) and, in either case, if no such rate is quoted, the spot rate of exchange quoted for wholesale transactions by the Administrative Agent in Toronto, Ontario on the Business Day such conversion is to be made in accordance with its normal practice.

“**ETA**” means Part IX of the *Excise Tax Act* (Canada).

“**Erroneous Payment**” has the meaning assigned to it in Section 8.15(1).

“**Erroneous Payment Deficiency Assignment**” has the meaning assigned to it in Section 8.15(4).

“**Erroneous Payment Impacted Facilities**” has the meaning assigned to it in Section 8.15(4).

“**Erroneous Payment Return Deficiency**” has the meaning assigned to it in Section 8.15(4).

“**Erroneous Payment Subrogation Rights**” has the meaning assigned to it in Section 8.15(4).

“**EU Bail-In Legislation Schedule**” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“**Events of Default**” has the meaning set out in Section 7.1.

“**Excluded Property**” has the meaning set out in the GSA or any equivalent agreement thereto governed by the laws of any jurisdiction other than the Province of Ontario.

“**Excluded Swap Obligation**” means, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of a guarantee of such Guarantor of, or the grant by such Guarantor of a Lien to secure, such Swap Obligation (or any guarantee thereof) is or has become illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof), including by virtue of such Guarantor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act and the regulations thereunder at the time such guarantee or Lien becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guarantee or Lien is or becomes illegal.

“**Excluded Taxes**” means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of a Credit Party hereunder or under any Loan Document:

- (a) Taxes imposed on or measured by such recipient’s net income (however denominated), franchise Taxes and branch profits Taxes, in each case;
  - (i) imposed as a result of such recipient being organized under the Laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof); or
  - (ii) that are Other Connection Taxes;
- (b) Taxes attributable to such recipient’s failure to comply with Section 2.15(7), and
- (c) any Canadian withholding Taxes arising as a result of:
  - (i) the recipient not dealing at arm’s length (within the meaning of the ITA) with the Credit Party;

- (ii) the recipient being a “specified non-resident shareholder” (as defined in subsection 18(5) of the ITA) of the Borrower or not dealing at arm’s length (for the purposes of the ITA) with a “specified shareholder” (as defined in subsection 18(5) of the ITA) of the Borrower; or
- (iii) the Borrower being a “specified entity” (as defined in subsection 18.4(1) of the ITA, as it is proposed to be amended by certain Tax proposals released by the Department of Finance (Canada) on November 28, 2023) in respect of the recipient,

except in the case of (i) through (iii) where (x) the non-arm’s length relationship, (y) the recipient being a “specified non-resident shareholder” of the Borrower or not dealing at arm’s length with a “specified shareholder” of the Borrower, or (z) the recipient being a “specified entity” in respect of the Borrower, as applicable, arises in connection with or as a result of the recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any rights under this Agreement or any other Loan Document.

**“Fair Market Value”** means:

- (a) with respect to any asset or group of assets (other than a Marketable Security) at any date, the value of the consideration obtainable in a sale of such asset at such date assuming a sale by a willing seller to a willing purchaser dealing at arm’s length and arranged in an orderly manner over a reasonable period of time having regard to the nature and characteristics of such asset, or, if such asset shall have been the subject of a relatively contemporaneous appraisal by an independent third party appraiser, the basic assumptions underlying which have not materially changed since its date, the value set out in such appraisal; and
- (b) with respect to any Marketable Security at any date, the closing sale price of such Marketable Security on the Business Day next preceding such date, as quoted on any recognized securities exchange or, if there is no such closing sale price of such Marketable Security, the final price for the purchase of such Marketable Security at face value quoted on such Business Day by a financial institution of recognized standing selected by the Administrative Agent which regularly deals in securities of such type.

**“Fee Letter”** means the letter dated as of April 17, 2025 among the Arranger, the Administrative Agent and the Borrower relating to the payment of certain arrangement, syndication and other fees.

**“First Amendment Date”** means [February 20, 2026, being the date on which amending agreement no. 1 to this Agreement is executed and delivered by the parties hereto.](#)

**“Fiscal Quarter”** means any fiscal quarter of the Borrower.

**“Fiscal Year”** means any fiscal year of the Borrower

**“Fixed Charge Coverage Ratio”** means, with respect to any Rolling Period, the ratio of:

- (a) Adjusted EBITDA; to
- (b) Fixed Charges,

in each case for such Rolling Period.

“**Fixed Charges**” means, with respect to any Rolling Period, the sum (without duplication) of:

- (a) the aggregate amount of all scheduled payments on Indebtedness made (or required to be made) by the Borrower on account of principal (or, in the case of Capital Lease Obligations, all scheduled payments to the extent not included in Interest Expense) by the Borrower (other than to another Credit Party) determined on a Consolidated basis, excluding any amounts paid in respect of Subordinated Affiliate Indebtedness; and
- (b) the Interest Expense, excluding any amounts paid in respect of Subordinated Affiliate Indebtedness,

in each case for such Rolling Period. “**Floor**”

means a rate of interest equal to 0%.

“**GAAP**” means, with respect to any Person, generally accepted accounting principles in the United States as in effect from time to time with respect to such Person.

“**Group Parties**” means Village and any subsidiaries and Affiliates of Village, and each is a “**Group Party**”.

“**Governmental Authority**” means the Government of Canada, any other nation or any political subdivision thereof, whether provincial, state, territorial or local, and any agency, authority, instrumentality, regulatory body, court, central bank, fiscal or monetary authority or other authority regulating financial institutions, and any other entity or supra-national body exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, including Health Canada, a Minister of the Crown, the Superintendent of Financial Institutions or other comparable authority or agency, the Bank Committee on Banking Regulation and Supervisory Practices of the Bank of International Settlements, the European Union and the European Central Bank.

“**GSA**” means the Ontario law general security agreement dated as of the date hereof between each Credit Party from time to time party thereto and the Administrative Agent for the benefit of the Secured Parties constituting a first-priority Lien (subject to Permitted Liens) over all present and future property (both real and personal) of such Persons other than Excluded Property.

“**GST**” means all amounts payable under the ETA or any similar legislation in any other jurisdiction of Canada, including QST and HST.

“**Guarantee**” of or by any Person (in this definition, the “**guarantor**”) means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (in this definition, the “**primary credit party**”) in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect:

- (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof (whether in the form of a loan, advance, stock purchase, capital contribution or otherwise);
- (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof;
- (c) to maintain working capital, equity capital solvency, or any other balance sheet, income statement or other financial statement condition or liquidity of the primary credit party so as to enable the primary credit party to pay such Indebtedness or other obligation; or
- (d) as an account party in respect of any letter of credit or letter of guarantee issued to support such Indebtedness or other obligation.

The term Guarantee shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee in respect of Indebtedness shall be deemed to be an amount equal to the stated or determinable amount of the related Indebtedness (unless the Guarantee is limited by its terms to a lesser amount, in which case to the extent of such amount) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof.

“**Guarantor**” means any Person that has entered into, or acceded to, the Credit Party Guarantee. As of the Closing Date the sole Guarantor is Village.

“**Hazardous Materials**” means any substance, product, liquid, waste, pollutant, chemical, contaminant, insecticide, pesticide, gaseous or solid matter, organic or inorganic matter, fuel, micro-organism, ray, odour, radiation, energy, vector, plasma, constituent or other material which (a) is or becomes listed, regulated or addressed under any Environmental Laws, or (b) is, or is deemed to be, alone or in any combination, hazardous, hazardous waste, toxic, a pollutant, a deleterious substance, a contaminant or a source of pollution or contamination under any Environmental Laws, including asbestos, cyanide, petroleum and polychlorinated biphenyls, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Laws.

“**Health Canada License**” means any license issued by Health Canada to any of the Credit Parties in respect of its Cannabis Activities, including without limitation, license no. LIC-8OR129OHJQ-2025.

“**Hedge Arrangement**” means any derivative transaction entered into in connection with protection against, or benefit from, fluctuation in any rate or price. For the avoidance of doubt, the entry into an ISDA Master Agreement and the schedule thereto shall not in and of themselves constitute a Hedge Arrangement, but each trade documented pursuant to a confirmation entered into thereunder shall.

“**Hedge Exposure**” of a Person means all obligations of such Person arising under or in connection with Hedge Arrangements; provided that:

- (a) when calculating the value of a Hedge Arrangement only the mark-to-market value (or, if any actual amount is due as a result of the termination or close-out of such Hedge Arrangement, that amount) shall be taken into account; and
- (b) the Hedge Exposure with respect to any counterparty shall be calculated on an aggregate net basis after taking into account all amounts owing by such counterparty to such Person under Hedge Arrangements.

“**Hostile Acquisition**” means a proposed Acquisition by any Credit Party in circumstances in which the Target shall not have, as of the date of the Borrower’s Acquisition Notice in respect of such Acquisition, evidenced its agreement or agreement in principle to such Acquisition by means of (a) a definitive agreement of purchase and sale, (b) a letter of intent in respect thereof, or (c) any other document, instrument, opinion or other writing satisfactory to the Lenders.

“**HST**” means all amounts payable as harmonized sales tax in the Provinces of Ontario, Nova Scotia, Newfoundland, New Brunswick and Prince Edward Island under the ETA.

“**Hypothecary Representative**” has the meaning set out in Section 8.13.

“**Income Tax Expense**” means, with respect to any period, the aggregate of all taxes on income of the Borrower for such period, whether current or deferred and net of any incentive or similar tax credits, determined on a Consolidated basis.

“**Indebtedness**” of any Person means, without duplication:

- (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind;
- (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments;
- (c) all obligations of such Person upon which interest charges are customarily paid;
- (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person;
- (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business);
- (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed;
- (g) all Guarantees by such Person of Indebtedness of others;
- (h) all Capital Lease Obligations of such Person;
- (i) all LC Indebtedness of such Person;

- (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances;
- (k) all Hedge Exposure to the extent due and payable; and
- (l) all obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value (other than for other Equity Securities) any Equity Securities of such Person, valued, in the case of redeemable Equity Securities, at the greater of voluntary or involuntary redemption price, plus accrued and unpaid dividends.

For the avoidance of doubt, (i) Indebtedness shall not include Bonding Obligations, and (ii) Indebtedness of the Borrower shall include the principal amount of all Loans and the undrawn face amount of Letters of Credit, in each case to the extent outstanding hereunder. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a partner, general partner or limited partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity. For the purposes of the financial covenants in Section 5.1(13) (including the defined terms used in Section 5.1(13)), (a) the amount outstanding at any time of any Indebtedness issued with original issue discount is the accreted amount of such Indebtedness.

**"Indemnified Taxes"** means all Taxes other than Excluded Taxes, imposed on or with respect to any payment to be made by or on account of any obligation of a Credit Party hereunder or under any Loan Document.

**"Indemnitee"** has the meaning specified in Section 9.3(2).

**"Industrial Hemp"** has the meaning ascribed to such term and the term "hemp" under applicable Law, including the *Industrial Hemp Regulations* (Canada) issued under the Cannabis Act and under the *Agricultural Marketing Act of 1946* (United States, [as amended, effective November 12, 2026 by the Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extensions Act, 2026](#)).

**"Initial Security Documents"** means the materials described in Schedule 1.1(A).

**"Insolvent Lender"** means any Lender that (a) has been adjudicated as, or determined by an Governmental Authority having regulatory authority over such Person or its assets to be, insolvent, (b) becomes the subject of an insolvency, bankruptcy, dissolution, liquidation or reorganization proceeding, or (c) becomes the subject of an appointment of a receiver, receiver and manager, monitor, trustee or liquidator under the *Bank Act* (Canada), the *Canada Deposit Insurance Corporation Act* (Canada) or any applicable bankruptcy, insolvency or similar law now existing or hereafter enacted; provided that a Lender shall not be an Insolvent Lender (i) solely by virtue of the ownership or acquisition by a Governmental Authority or instrumentality thereof of any Equity Securities in such Lender or a parent company thereof, or (ii) due to an Undisclosed Administration.

**"Intellectual Property"** means any industrial and intellectual property, and intellectual property rights, whether registered or not, including without limitation, patents, patent applications, trade marks, trade mark applications, trade names, service marks, copyrights, industrial designs, integrated circuit topographies, ideas, inventions (whether or not patented), franchises, get-up

and trade dress, designs, works, methods, business names, indicia of origin, plant breeders' rights, urls, domain names, tag lines, data, know how and trade secrets.

**“Intercreditor Agreement”** means any intercreditor agreement between the Secured Parties, the Credit Parties and any one or more Subordinated Creditors.

**“Interest Expense”** means, with respect to any period, the interest expense of the Borrower for such period, determined on a Consolidated basis.

**“Interest Payment Date”** means, (a) in the case of any Canadian Prime Loan, the first Business Day of each month, and (b) in the case of a CORRA Loan, the last day of each Interest Period relating to such CORRA Loan.

**“Interest Period”** means, with:

- (i) respect to a Term CORRA Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one or three months thereafter, as the Borrower may elect; and
- (ii) respect to a Daily Compounded CORRA Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one or three months thereafter, as the Borrower may elect;

provided that:

- (iii) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the immediately succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day;
- (iv) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period;
- (v) no Interest Period shall extend beyond any date that any principal payment or prepayment is scheduled to be due unless the aggregate principal amount of (i) Canadian Prime Loans, and (ii) CORRA Borrowings which have Interest Periods which will expire on or before such date, minus the aggregate amount of any other principal payments or prepayments due during such Interest Period, is equal to or in excess of the amount of such principal payment or prepayment; and
- (vi) no Interest Period shall extend beyond the Revolving Credit Maturity Date (if such CORRA Borrowing is part of a Borrowing under the Revolving Credit) ~~or beyond~~, the Term Credit Maturity Date (if such CORRA Borrowing is part of a Borrowing under the Term Credit) or the Delayed Draw Term Credit Maturity Date (if such CORRA Borrowing is part of a Borrowing under the Delayed Draw Term Credit).

For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a converted or continued Borrowing, thereafter shall be the effective date of the most recent conversion or rollover of such Borrowing.

“**Investment**” means, as applied to any Person (the “**investor**”), any direct or indirect:

- (a) purchase or other acquisition by the investor of Equity Securities of any other Person or any beneficial interest therein;
- (b) purchase or other acquisition by the investor of bonds, notes, debentures or other debt securities of any other Person or any beneficial interest therein;
- (c) loan or advance to any other Person, other than (i) advances to employees for expenses incurred (or to be incurred) in the ordinary course of business, and (ii) accounts receivable arising from goods or services provided to such other Person in the ordinary course of the investor’s business; and
- (d) capital contribution by the investor to any other Person,

provided that an Acquisition shall not constitute an Investment.

“**ISDA Master Agreement**” means an agreement in the form of an ISDA Master Agreement (Multi-Currency – Cross Border) or 2002 ISDA Master Agreement, in each case, as published by ISDA, including the Schedule thereto and any Confirmation thereunder (each as defined therein).

“**Issuing Bank**” means Canadian Imperial Bank of Commerce and any other Lender that agrees to act as an Issuing Bank, each in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.19(9). Any Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of such Issuing Bank, in which case the term “**Issuing Bank**” shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate. Each reference herein to the “Issuing Bank” in connection with a Letter of Credit or other matter shall be deemed to be a reference to the relevant Issuing Bank with respect thereto.

“**ITA**” means the *Income Tax Act* (Canada), as amended from time to time.

“**Joint Venture**” means any arrangement, regardless of legal form, but including a corporation, partnership, joint venture, trust or contractual arrangement, formed or entered into between a Credit Party and one or more other Persons (other than a Credit Party) for the purpose of carrying on specific business or developing one or more specific projects together.

“**Judgement Currency**” has the meaning specified in Section 2.17.

“**Landlord Agreement**” means an agreement in form and substance satisfactory to the Administrative Agent given in favour of the Administrative Agent by Village and Village LP, as the landlord of the D2 Property (and also acknowledged by all mortgagees of such landlord if requested by the Agent upon the instructions of the Required Lenders), which shall include the following provisions:

- (a) the landlord consents to the granting of a mortgage of the D2 Property by the Borrower (as tenant thereunder) in favour of the Agent and agrees that the Agent may assign the

D2 Lease to a third party without the landlord's consent; the landlord agrees to give written notice to the Administrative Agent in respect of and a reasonable opportunity to cure any default under the D2 Lease; and

- (b) the landlord agrees not to terminate the D2 Lease; and the landlord agrees to waive (or subordinate and defer the enforcement of) its right of distraint and any other rights and remedies and any security it may hold in respect of any property of the Borrower located on the D2 Property or affixed to the D2 Property which the Borrower is entitled to remove under Applicable Law or pursuant to the terms of the D2 Lease.

“**Laws**” means all federal, provincial, municipal, foreign and international statutes, acts, codes, ordinances, decrees, treaties, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards or any provisions of the foregoing, including general principles of common and civil law and equity, and all policies, practices and guidelines of any Governmental Authority binding on or affecting the Person or such Person's property referred to in the context in which such word is used (including, in the case of tax matters, any accepted practice or application or official interpretation of any relevant taxation authority); and “**Law**” means any one or more of the foregoing.

“**LC Cover**” means, with respect to any Letter of Credit, and the contingent Reimbursement Obligations thereunder, either:

- (a) its LC Prepayment;
- (b) the lodging of cash collateral to the Administrative Agent as security therefor pursuant to documentation satisfactory to the Administrative Agent, acting reasonably; or
- (c) the provision to the Administrative Agent of a standby letter of credit as security therefor, such standby letter of credit to be in form and substance (including the issuing bank thereof) satisfactory to Administrative Agent, acting reasonably;

in each case the amount of which shall be equal to the applicable LC Cover Amount. At any time that a Default or Event of Default has occurred and is continuing the obligation to provide LC Cover may only be satisfied by way of the method set out in clause (a) above unless the Administrative Agent, in its sole and absolute discretion, agrees otherwise.

“**LC Cover Amount**” means, with respect to any Letter of Credit at any time, an amount equal to:

- (a) 103% of the undrawn face amount of such Letter of Credit as at such time; plus
- (b) all fees payable hereunder with respect to such Letter of Credit (using a default rate of interest, if applicable) for the period from such time to the expiration date of such Letter of Credit, except to the extent already paid.

“**LC Disbursement**” means a payment made by the Issuing Bank pursuant to a draw upon a Letter of Credit.

“**LC Exposure**” means, at any time and with respect to any Revolving Credit Lender, its Applicable Percentage of the Total LC Exposure at such time.

“**LC Indebtedness**” means all obligations, contingent or otherwise, of a Person as an account party in respect of letters of credit and letters of guarantee, including Letters of Credit.

“**LC Prepayment**” means, with respect to any Letter of Credit, the unconditional prepayment to the Issuing Bank in cash of all contingent Reimbursement Obligations with respect thereto.

“**LC Return Amount**” means, with respect to any Letter of Credit at any time, an amount equal to:

- (a) the LC Cover Amount paid or lodged with respect to such Letter of Credit; less
- (b) that portion of such LC Cover Amount attributable to fees payable hereunder; less
- (c) all LC Disbursements made with respect to such Letter of Credit since payment or lodging of such LC Cover Amount until such time; less
- (d) any other amounts owing to the Issuing Bank hereunder at such time.

“**Legal Reservations**” means:

- (a) the principle that equitable remedies may be granted or refused at the discretion of a court and the limitation of enforcement by laws relating to insolvency, reorganization and other laws generally affecting the rights of creditors;
- (b) the time barring of claims under the *Limitation Act, 2002* (Ontario), as amended, and similar legislation in any other applicable jurisdiction; and
- (c) any other matters which are set out as qualifications or reservations as to matters of law of general application in the legal opinions furnished to the Administrative Agent pursuant to this Agreement by legal counsel for a Credit Party.

“**Lender Affiliate**” means, (a) with respect to any Lender, (i) an Affiliate of such Lender, or (ii) any Person that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or an Affiliate of such Lender, and (b) with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

“**Lenders**” means the Persons listed as lenders on Schedule 2.1 and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. Unless the context otherwise requires, the term “**Lenders**” includes the Swingline Lender and any Issuing Bank.

“**Lender Termination Date**” means the first date on which:

- (a) all Commitments have expired or been terminated;
- (b) the principal of and interest on each Loan and all fees, indemnities and other amounts due and payable hereunder shall have been paid in full; and
- (c) all Letters of Credit shall have either (x) expired or terminated and all LC Disbursements shall have been reimbursed or (y) in the case of contingent Reimbursement Obligations with respect to outstanding Letters of Credit, LC Cover shall have been provided.

“**Letter of Credit**” means any letter of credit or letter of guarantee issued pursuant to this Agreement.

“**Leverage Ratio**” means, at any time, the ratio of (a) Total Indebtedness at such time; to (b) EBITDA for the most recently completed Rolling Period. By way of example and for the avoidance of doubt, the Leverage Ratio as at January 21, 2026 shall be equal to the ratio of Total Indebtedness on January 21, 2026 to EBITDA for the Rolling Period ended on December 31, 2025.

“**Lien**” means, (a) with respect to any asset, any mortgage, deed of trust, lien (statutory or otherwise), deemed trust, pledge, hypothec, hypothecation, encumbrance, charge, security interest, royalty interest, adverse claim, defect of title or right of set off in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease, title retention agreement or consignment agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to any asset, (c) any purchase option, call or similar right of a third party with respect to such assets, (d) any netting arrangement, defeasance arrangement or reciprocal fee arrangement, and (e) any other arrangement having the effect of providing security.

“**Loan**” means any loan made by the Lenders to the Borrower pursuant to this Agreement.

“**Loan Documents**” means this Agreement, the Security Documents, any Intercreditor Agreement, the Borrowing Requests, the Borrowing Base Reports, and the Fee Letter, together with any other document, instrument or agreement (other than participation, agency or similar agreements among the Lenders or between any Lender and any other bank or creditor with respect to any indebtedness or obligations of any Credit Party (as applicable) hereunder or thereunder) now or hereafter entered into in connection with this Agreement (including any document, instrument or agreement with respect to any Secured Hedge Arrangement and Secured Cash Management Services), as such documents, instruments or agreements may be amended, modified or supplemented from time to time.

“**Marijuana**” has the meaning ascribed to such term under applicable Law, including the *Controlled Substances Act* (United States).

“**Marketable Security**” means any share or other security issued and listed on a stock or security exchange located in Canada, the United States, Australia, or the European Union.

“**Material Adverse Change**” means any event, development or circumstance that has had or could reasonably be expected to have a Material Adverse Effect.

“**Material Adverse Effect**” means a material adverse effect on (a) the business, assets, operations, or condition, financial or otherwise, of the Credit Parties taken as a whole, or (b) the validity or enforceability of any of the Loan Documents, the rights and remedies of the Administrative Agent and the Lenders thereunder, or the priority of the Liens created thereby or (c) the ability of the Credit Parties to perform their material obligations under the Loan Documents.

“**Material Contract**” means (a) the contracts, licences and agreements listed and described on Schedule 3.1(23), and (b) any other contract, licence or agreement (i) to which any Credit Party is a party or bound, (ii) which is material to, or necessary in, the operation of the business of any Credit Party, (iii) which any Credit Party cannot promptly replace by an alternative and comparable contract with comparable commercial terms, and (iv) the absence of which would have a Material Adverse Effect.

“**Material Indebtedness**” means (a) all Subordinated Affiliate Indebtedness and EDC-Backed Indebtedness (in each case, regardless of the amount thereof); and (b) any Indebtedness (other than the Loans, Subordinated Affiliate Indebtedness, and EDC-Backed Indebtedness) of any one or more Credit Parties or Village in an aggregate principal amount exceeding \$500,000.

“**Moody’s**” means Moody’s Investors Service, Inc.

“**Net Income**” means, with respect to any period, the net income of the Borrower for such period, determined on a Consolidated basis.

“**Net Proceeds**” means, with respect to

- (a) any Asset Disposition or Casualty Event, the gross amount of proceeds received by any Credit Party from such Asset Disposition or Casualty Event (including proceeds of any insurance policies and amounts received pursuant to any expropriation proceeding or condemnation proceeding); and
- (b) with respect to:
  - (i) the issuance or incurrence by any Credit Party of any Indebtedness; or
  - (ii) the sale or issuance of any Equity Securities of, or the making of any capital contribution to, any Credit Party;

the gross amount of proceeds received by any Credit Party therefrom, including any cash received in respect of non-cash proceeds (including any cash payments received by way of deferred payment of principal pursuant to a note or instalment receivable or purchase price adjustment receivable or otherwise, but excluding any interest payments), but only as and when received;

in each case minus the sum of:

- (c) the amount, if any, of all Taxes paid or payable by any Credit Party directly resulting from such transaction or the movement of funds from the selling Credit Party to the Borrower (including the amount, if any, estimated by the Borrower in good faith at the time of such transaction for Taxes payable by such Credit Party on or measured by net

income or gain resulting from such transaction) assuming the application of any Tax losses or credits available (or to be available) to such Credit Party at the time such Taxes are payable that are not used to offset other income or gains;

- (d) the reasonable out-of-pocket costs and expenses incurred by any Credit Party in connection with such transaction (excluding any fees or expenses paid to any Credit Party, or any Affiliate of any Credit Party);
- (e) any reserves established in accordance with GAAP in connection with any such Asset Disposition; and
- (f) any other Indebtedness secured by a Lien ranking in priority to the Liens created under the Security Documents on the asset which is subject to such Asset Disposition and required to be repaid as a result of such Asset Disposition.

“**Non-Defaulting Lender**” has the meaning set out in Section 2.21(f).

“**Non-Party Beneficiary**” means any Secured Party or Indemnitee that is not a Party.

“**Other Connection Taxes**” means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of any Credit Party hereunder, Taxes imposed as a result of a present or former connection between such recipient and the jurisdiction imposing such Tax (other than connections arising from such recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“**Other Taxes**” has the meaning set out in Section 2.15(2).

“**Participant**” has the meaning set out in Section 9.4(5).

“**Party**” means a party to this Agreement, and reference to a Party includes its successors and permitted assigns and “**Parties**” means every Party.

“**Payment**” means, with respect to any obligation, (a) any payment or distribution by any Person of cash, securities, or other form of property, including by the exercise of a right of set-off or in any other manner, on account of such obligations, or (b) any redemption, purchase or other acquisition of such obligation (including by way of amalgamation or merger) by the Person owing such obligation.

“**Payment Office**” means the Administrative Agent’s office located at 595 Bay Street, 7<sup>th</sup> Floor Toronto, Ontario, M5G 2C2 Attention Global Agent Administration Services, Administrative Officer (or such other office or individual as the Administrative Agent may hereafter designate in writing to the other parties hereto).

“**Payment Recipient**” has the meaning assigned to it in Section 8.15(1).

“**Pension Plan**” means a “registered pension plan”, as such term is defined in subsection 248(1) of the ITA (including, for greater certainty and without limitation, a Defined Benefit Plan),

which is or was sponsored, administered or contributed to, or required to be contributed to, by any Credit Party or under which any Credit Party has or may incur any actual or contingent liability.

“**Permitted Acquisition**” means any Acquisition:

- (a) with respect to which an Acquisition Notice has been provided no fewer than 30 days in advance of such Acquisition;
- (b) when no Default or Event of Default has occurred and is continuing or would be caused thereby;
- (c) which is of a Target carrying on a business only in an Approved Cannabis Jurisdiction and which is the same as or related, ancillary or complementary to the Business (or if an asset Acquisition, is of assets used or useful in the Business and located in an Approved Cannabis Jurisdiction);
- (d) where the Target had positive Subject EBITDA determined on a consolidated basis for its most recent fiscal year;
- (e) in respect of which the Borrower has provided a certificate of a Responsible Officer of the Borrower containing information satisfactory to the Lenders (acting reasonably) regarding the cost of such Acquisition, the projected earnings of such Acquisition, the financial and acquisition structure of such Acquisition, audited financial statements of the Target for the previous three years, and financial projections (on a quarterly basis) for the next three years;
- (f) in respect of which the Lenders will have:
  - (i) a first-priority Lien (subject only to Permitted Liens) over the assets to be acquired (other than Excluded Property); and
  - (ii) if such Acquisition is an Acquisition of Equity Securities of a Target, a full recourse guarantee (by way of accession to the Credit Party Guarantee) from, and a first-priority Lien (subject only to Permitted Liens) over the assets of, such Target and its subsidiaries.
- (g) in respect of which the Borrower has demonstrated to the Lenders’ satisfaction, acting reasonably, that after giving effect to such Acquisition, the Borrower will be in compliance with the financial covenants in Section 5.1(13) as at the date of such Acquisition,;
- (h) which, if such Acquisition is an Acquisition of Equity Securities of any Target, the applicable Credit Party acquires not less than 100% of the Equity Securities of such Target;
- (i) the Acquisition Cost of which, when totalled with the aggregate Acquisition Cost of all other Acquisitions made since the Closing Date, does not exceed \$1,000,000;

provided that, notwithstanding the foregoing:

- (j) any Acquisition by a Credit Party from a Credit Party or Subsidiary shall be a Permitted Acquisition;
- (k) a Hostile Acquisition shall not be a Permitted Acquisition; and
- (l) any Acquisition involving a Conflict of Interest shall not be a Permitted Acquisition.

**“Permitted Hedge Payment”** means any payment under or in connection with any Secured Hedge Arrangement made when no Event of Default has occurred and is continuing; provided that:

- (a) the payment of any Early Termination Amount (as defined in the applicable ISDA Master Agreement); or
- (b) any other payment of a similar nature or economic effect, whether voluntary or mandatory;

shall cease to be a Permitted Hedge Payment if an Event of Default shall occur within 12 months after the time of such payment, such that it shall become subject to the sharing provisions of Section 2.16(4).

**“Permitted Indebtedness”** means:

- (a) Indebtedness under a Loan Document;
- (b) Indebtedness incurred pursuant to a Permitted Investment made by another Credit Party;
- (c) any Guarantee by a Credit Party of any Permitted Indebtedness of another Credit Party if such first Credit Party would be permitted to loan such Indebtedness directly to such second Credit Party by way of a Permitted Investment;
- (d) Capital Lease Obligations and Indebtedness secured by Purchase Money Liens, provided that the aggregate principal amount of Indebtedness permitted by this clause (d) shall not exceed \$2,000,000 at any time outstanding;
- (e) Secured Hedge Obligations;
- (f) Secured Cash Management Obligations;
- (g) EDC-Backed Indebtedness; and
- (h) Subordinated Affiliate Indebtedness.

**“Permitted Investments”** means:

- (a) Investments in Cash Equivalents;
- (b) any Investments by a Credit Party in another Credit Party , whether by way of Equity Securities, capital contribution or Indebtedness;

- (c) Investments held directly or indirectly by a Target at the time of its Permitted Acquisition;
- (d) any Investment acquired by a Credit Party from another from another Credit Party in whose hands it constituted a Permitted Investment; and
- (e) other Investments not exceeding \$1,000,000 at any time.

**“Permitted Liens”** means:

- (a) Liens in favour of the Administrative Agent for the benefit of the Secured Parties for the obligations of any Credit Party under or pursuant to the Loan Documents;
- (b) Liens granted by a Credit Party in favour of a Credit Party in order to secure any of the Indebtedness of such Credit Party to such Credit Party, provided that such Liens are subject to assignment and postponement arrangements satisfactory to the Administrative Agent;
- (c) Purchase Money Liens securing Permitted Indebtedness and Liens to secure Capital Lease Obligations that constitute Permitted Indebtedness;
- (d) Liens imposed by any Governmental Authority for Taxes not yet due and delinquent or which are being contested in good faith and by appropriate proceedings in compliance with Section 5.1(3), and, during such period during which such Liens are being so contested, such Liens shall not be executed on or enforced against any of the assets of any Credit Party, provided that such Credit Party shall have set aside on its books reserves deemed adequate therefor and not resulting in qualification by auditors;
- (e) carrier’s, warehousemen’s, mechanics’, materialmen’s, repairmen’s, construction and other like Liens arising by operation of applicable Law, arising in the ordinary course of business and securing amounts (i) which are not overdue for a period of more than 30 days, or (ii) which are being contested in good faith and by appropriate proceedings and, during such period during which amounts are being so contested, such Liens shall not be executed on or enforced against any of the assets of any Credit Party, provided that (iii) such Credit Party shall have set aside on its books reserves deemed adequate therefor and not resulting in qualification by auditors, (iv) such Credit Party is in compliance with any corresponding holdback requirements under applicable legislation;
- (f) undetermined or inchoate Liens and charges arising or potentially arising under statutory provisions which have not at the time been filed or registered in accordance with applicable Law or of which written notice has not been duly given in accordance with applicable Law or which although filed or registered, relate to obligations not due and delinquent, including without limitation statutory Liens incurred, or pledges or deposits made, under worker’s compensation, employment insurance and other social security legislation;
- (g) deposits or Liens over cash collateral securing (i) any performance obligation (which, for the avoidance of doubt, shall exclude any obligation to repay borrowed money) incurred

in the ordinary course of business, or (ii) any Bonding Obligation with respect to such obligation;

- (h) reservations in the original crown grant, servitudes, easements, rights-of-way, restrictions and other similar encumbrances on real property imposed by applicable Law or incurred in the ordinary course of business and encumbrances consisting of zoning or building restrictions, easements, licenses, restrictions on the use of property or minor imperfections in title thereto which, in the aggregate, are not material, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of any Credit Party or zoning and building by-laws and ordinances and municipal by-laws and regulations with respect to real property so long as the same are complied with;
- (i) Liens of, or resulting from, any judgment or award that does not constitute an Event of Default under Section 7.1(k);
- (j) the rights reserved to or vested in Governmental Authorities by statutory provisions or by the terms of leases, licenses, franchises, grants or permits, which affect any land, to terminate the leases, licenses, franchises, grants or permits or to require annual or other periodic payments as a condition of the continuance thereof;
- (k) securities to public utilities or to any municipalities or Governmental Authorities or other public authority when required by the utility, municipality or Governmental Authorities or other public authority in connection with the supply of services or utilities to the Credit Parties;
- (l) Liens or covenants restricting or prohibiting access to or from lands abutting on controlled access highways or covenants affecting the use to which lands may be put; provided that such Liens or covenants do not materially and adversely affect the use of the lands by any Credit Party;
- (m) statutory Liens incurred or pledges or deposits made in favour of a Governmental Authority to secure the performance of obligations of any Credit Party under Environmental Laws to which any assets of such Credit Party are subject;
- (n) customary rights of set-off or combination of accounts in favour of a financial institution with respect to deposits maintained by it;
- (o) contractual rights of set-off granted in the ordinary course of business;
- (p) Liens or escrow arrangements with respect to cash deposits lodged in connection with a Permitted Acquisition;
- (q) Liens granted by any Credit Party to a landlord to secure the payment of arrears of rent in respect of leased properties in the Province of Quebec leased from such landlord, provided that such Lien is limited to the assets located at or about such leased properties;
- (r) the reservations, limitations, provisos and conditions, if any, expressed in any original patents or grants of real or immovable property;

- (s) title defects or irregularities which are of a minor nature and in the aggregate will not materially impair the use of the property for the purpose for which it is held;
- (t) applicable municipal and other governmental restrictions affecting the use of land or the nature of any structures which may be erected thereon, provided such restrictions have been complied with and will not materially impair the use of the property for the purpose for which it is held; and
- (u) any extension, renewal or replacement of any of the foregoing;

provided, however, that the Liens permitted hereunder shall not be extended to cover any additional Indebtedness of the Credit Parties or their property (other than a substitution of like property), except Liens in respect of Capital Lease Obligations and Purchase Money Liens as permitted by clause (c) of this definition, or Liens as contemplated by clause (u) of this definition.

“**Person**” includes any natural person, corporation, company, limited liability company, unlimited liability company, trust, joint venture, association, incorporated organization, partnership, Governmental Authority or other entity.

“**Platform**” means Debt Domain, Intralinks, Syndtrak or a substantially similar electronic transmission system.

“**Post-Closing Requirements**” has the meaning set out in Section 5.1(9)(b).

“**Priority Payables**” means, with respect to any Person, any amount due to such Person which is secured by a Lien which ranks or is capable of ranking prior to or *pari passu* with the Liens created by the Security Documents, including amounts owing for wages, vacation pay, severance pay, employee deductions, sales tax, excise tax, Tax payable pursuant to Part IX of the *Excise Tax Act* (Canada) (net of GST input credits), income tax, workers compensation, government royalties, pension fund obligations including employee and employer pension plan contributions (including “normal cost”, “special payments” and any other payments in respect of any funding deficiencies or shortfalls), overdue rents or Taxes, and other statutory or other claims that have or may have priority over, or rank *pari passu* with, such Liens created by the Security Documents.

“**PST**” means all provincial sales taxes payable under the relevant sales tax legislation of Manitoba, Saskatchewan and British Columbia.

“**Purchase Money Lien**” means a Lien taken or reserved in personal property to secure payment of all or part of its purchase price (or to secure financing to fund such purchase price), provided that such Lien (a) secures an amount not exceeding the lesser of the purchase price of such personal property and the Fair Market Value of such personal property at the time such Lien is taken or reserved, (b) extends only to such personal property and its proceeds, and (c) is granted prior to or within 30 days after the purchase of such personal property.

“**QST**” means the Quebec sales tax imposed pursuant to an *Act respecting the Québec sales tax*.

“**Quarterly Date**” means each of the last day of each of March, June, September, and December in each calendar year.

“**Receivable**” means the indebtedness and payment obligations of any Person to any Credit Party or acquired by any Credit Party (including obligations constituting an account or general intangible or evidenced by a note, instrument, contract, security agreement, chattel paper or other evidence of indebtedness or security) arising from a sale of merchandise or the provision of services by such Credit Party or the Person from which such indebtedness and payment obligation were acquired by such Credit Party, including (a) any right to payment for goods sold or for services rendered and (b) the right to payment of any interest, sales taxes, finance charges, returned check or late charges and other obligations of such Person with respect thereto.

“**Register**” has the meaning set out in Section 9.4(3).

“**Registrations**” has the meaning set out in Section 5.1(14).

“**Reimbursement Obligations**” means, at any date, the obligations of the Borrower then outstanding in respect of the Letters of Credit to reimburse the Administrative Agent for the account of the Issuing Bank for the amounts paid by the Issuing Bank in respect of any drawings under the Letters of Credit.

“**Related Parties**” means, with respect to any Person, such Person’s Affiliates and the respective directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“**Related Non-Party Beneficiary**” means, with respect to any Lender, any Non-Party Beneficiary that is a Related Party to such Lender.

“**Release**” is to be broadly interpreted and shall include an actual or potential discharge, deposit, spill, leak, pumping, pouring, emission, emptying, injection, escape, leaching, seepage or disposal of Hazardous Materials which is or may be in breach of any Environmental Laws.

“**Relevant Agent**” means, with respect to a Credit Party, any agent of such Credit Party that will act in any capacity in connection with, or benefit from, the Credits.

“**Relevant Governmental Body**” has the meaning set out in Section 2.12(1)(f).

“**Required Lenders**” means, subject to Section 2.21 at any time, Lenders having Revolving Credit Exposures, [Term Credit Exposures](#), [Delayed Draw](#) Term Credit Exposures and unused and uncanceled Commitments representing at least 66⅔% of the sum of the Total Revolving Credit Exposures, Total Term Credit Exposures, [Total Delayed Draw Term Credit Exposures](#) and unused and uncanceled Commitments at such time; provided that if there are only two Lenders having Revolving Credit Exposures, Term Credit Exposures, [Delayed Draw Term Credit Exposures](#) and unused and uncanceled Commitments at such time, “Required Lenders” shall mean both such Lenders.

“**Resolution Authority**” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“**Responsible Officer**” means, with respect to any Person, the chairman, the president, any vice president, the chief executive officer or the chief operating officer, and, in respect of financial or accounting matters, any chief financial officer, principal accounting officer, treasurer or controller of such Person.

“**Restricted Payment**” means, with respect to any Person, any Payment by such Person:

- (a) of any dividend, distribution or return of capital with respect to its Equity Securities;
- (b) on account of the purchase, redemption, retirement or other acquisition of any of its Equity Securities, or any warrants, options or similar rights with respect to its Equity Securities;
- (c) on account of any principal of or interest or premium on, or the redemption or acquisition of, any Indebtedness of such Person that:
  - (i) by its terms or contractual postponement ranks in right of payment subordinate to any liability of such Person under the Loan Documents; or
  - (ii) is not permitted hereunder;
- (d) of any management, consulting or similar fee or any bonus payment or comparable payment, or by way of gift or other gratuity, to:
  - (i) any director or officer of such Person (but excluding wages, payments made in connection with long-term incentive plans, and bonuses, in each case paid in the ordinary course of business and consistent with past practice); or
  - (ii) any Affiliate of such Person or director or officer thereof; or
- (e) for the purpose of setting apart any property for a sinking, defeasance or other analogous fund for any of the payments referenced above.

“**Revolving Credit**” means the \$10,000,000 revolving credit facility established by the Revolving Credit Lenders pursuant to their Revolving Credit Commitments.

“**Revolving Credit Commitment**” has the meaning set out in Section 2.1(1), and “**Revolving Credit Commitments**” means all of them.

“**Revolving Credit Exposure**” means, with respect to any Lender at any time, the sum of (a) the Canadian \$ Amount of the outstanding principal amount of such Lender’s Revolving Loans at such time, and (b) such Lender’s LC Exposure at such time, provided that, for the purposes of the definition of Total Revolving Credit Exposure and Section 2.1(1)(a), the Swingline Exposure will be deemed to be equal to the Swingline Commitment.

“**Revolving Credit Lender**” means any Lender having a Revolving Credit Commitment hereunder or a Revolving Loan outstanding hereunder.

“**Revolving Credit Maturity Date**” means February 7, ~~2028~~2029, as such date may be extended from time to time pursuant to Section 2.6.

“**Revolving Loan**” has the meaning set out in Section 2.1(1), and shall include Swingline Loans.

“**Rolling Period**” means each Fiscal Quarter taken together with the three immediately preceding Fiscal Quarters.

“**Rose Lifescience**” means Rose Lifescience Inc., a [Quebec](#) corporation.

“**S&P**” means Standard & Poor’s Financial Services LLC.

“**Sanctions**” means, at any time, economic or financial sanctions or trade embargoes imposed, administered or enforced by:

- (a) the Office of Foreign Assets Control of the U.S. Department of Treasury; or
- (b) any other Governmental Authority that are applicable to any Party at such time.

“**Sanctioned Person**” means, at any time, any Person with whom any Party is prohibited or restricted from transacting or otherwise dealing under any Sanction, whether by reason of designation under such Sanction or otherwise.

“**Secured Cash Management Obligations**” means all indebtedness arising under or in connection with any Secured Cash Management Services.

“**Secured Cash Management Provider**” means any Lender or Lender Affiliate in its capacity as a provider of Cash Management Services. For the avoidance of doubt, a Person that ceases to be a Lender or Lender Affiliate (other than upon a Lender Termination Date) shall cease to be a Secured Cash Management Provider.

“**Secured Cash Management Service**” means any Cash Management Service provided by a Secured Cash Management Provider to the Borrower.

“**Secured Financial Product Collateralization**” means either (a) providing cash collateral (pursuant to documentation reasonably satisfactory to Administrative Agent) to be held by Administrative Agent for the benefit of providers of the Secured Cash Management Services and Secured Hedge Counterparties in an amount equal to 103% of the then existing Secured Cash Management Obligations and Secured Hedge Obligations (after taking into account all amounts owed by the counterparty to such Person in accordance with normal market practices (using the mark-to-market method whenever applicable)) or (b) providing Administrative Agent with a standby letter of credit, in form and substance reasonably satisfactory to Administrative Agent, from a commercial bank reasonably acceptable to Administrative Agent in an amount equal to 103% of the then existing Secured Cash Management Obligations and Secured Hedge Obligations (after taking into account all amounts owed by the counterparty to such Person in accordance with normal market practices (using the mark-to-market method whenever applicable)).

“**Secured Hedge Arrangement**” means any Hedge Arrangement between the Borrower and Person that is a Lender or Lender Affiliate at the time such Hedge Arrangement is entered into. For the avoidance of doubt, (i) any Hedge Arrangement entered into by a Credit Party with a Person before such Person is a Lender or Lender Affiliate or after such Person ceases to be a Lender or Lender Affiliate shall not be a Secured Hedge Arrangement, (ii) any Secured Hedge

Arrangement shall continue as such notwithstanding that such Person ceases to be a Lender or Lender Affiliate, and (iii) as at the Closing Date there are no outstanding Hedge Arrangements between the Borrower and a Lender or Lender Affiliate.

**“Secured Hedge Counterparty”** means any Person party to Secured Hedge Arrangement other than a Credit Party, in such Person’s capacity as a party thereto. For the avoidance of doubt, (i) a Person shall remain a Secured Hedge Counterparty with respect to a Secured Hedge Arrangement if it ceases to be a Lender or a Lender Affiliate, and (ii) such Secured Hedge Arrangement shall continue to be secured by the Liens created under the Security Documents.

**“Secured Hedge Obligations”** means all Hedge Exposure arising under or in connection with Secured Hedge Arrangements; provided that amounts owing to or from a Person under Hedge Arrangements that are not Secured Hedge Arrangements shall not be taken into account in calculating Secured Hedge Obligations.

**“Secured Liabilities”** means all present and future indebtedness, liabilities and obligations of any and every kind, nature and description (whether direct or indirect, joint or several, absolute or contingent, mature or unmatured) of the Credit Parties to the Secured Parties under, in connection with or with respect to the Loan Documents (including Secured Cash Management Obligations, Secured Hedge Obligations and Erroneous Payment Subrogation Rights), and any unpaid balance thereof.

**“Secured Parties”** means the Administrative Agent, the Lenders the Secured Hedge Counterparties and the Secured Cash Management Providers.

**“Security Documents”** means the agreements or instruments described or referred to in Schedule 1.1(A) or Section 5.1(12) (including, to the extent such Section describes an amendment, the agreement or instrument amended thereby) and any and all other agreements or instruments now or hereafter executed and delivered by any Credit Party as security (including by way of guarantee) for the payment or performance of all or part of the Secured Liabilities, as any of the foregoing may have been, or may hereafter be, amended, modified or supplemented.

**“Specified Restricted Payments”** means all Restricted Payments other than those described in clause (d) of the definition of Restricted Payments.

**“Specified Restricted Payment Expense”** means, with respect to any period, the amount paid in cash during such period on account of Specified Restricted Payments.

**“Subject EBITDA”** means, with respect to any Person, an amount equal to **“EBITDA”** with respect to such Person calculated as if such definition and all amounts referred to therein were determined with respect to such Person (as opposed to the Borrower), determined on a consolidated basis or unconsolidated basis, as specified.

**“Subordinated Creditor”** means any Person that is owed Subordinated Affiliate Indebtedness or has any other right, title or interest therein.

**“Subordinated Affiliate Indebtedness”** means unsecured Indebtedness of a Credit Party owing to Village, a Subsidiary of Village, or an Affiliate of the Borrower that is subordinated to the

Secured Liabilities pursuant to an Intercreditor Agreement on terms and conditions satisfactory to the Administrative Agent and the Required Lenders in their sole and absolute discretion.

“**subsidiary**” means, with respect to any Person (the “**parent**”) at any date, any other Person the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other Person (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

“**Subsidiary**” means any subsidiary of the Borrower.

“**Swap Obligation**” means any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of section 1a(47) of the Commodity Exchange Act.

“**Swingline Account**” means the Canadian Dollar bank account maintained by the Administrative Agent in the name of the Borrower and designated as such by the Administrative Agent.

“**Swingline Borrowing**” means a Borrowing comprised of a Swingline Loan.

“**Swingline Commitment**” has the meaning set out in Section 2.20(1). For the avoidance of doubt, the Swingline Commitment comprises part of, and is not in addition to, the Revolving Credit Commitment of the applicable Revolving Credit Lender.

“**Swingline Exposure**” means, at any time, the Canadian \$ Amount of the aggregate principal amount of all Swingline Loans outstanding at such time.

“**Swingline Lender**” means Canadian Imperial Bank of Commerce in its capacity as lender of Swingline Loans hereunder.

“**Swingline Loan**” has the meaning set out in Section 2.20(1).

“**Target**” means, with respect to any Acquisition, the Person whose shares or assets (or both) are proposed to be acquired.

“**Taxes**” means all taxes, charges, fees, levies, imposts and other assessments, including all income, sales, use, goods and services, harmonized sales, value added, capital, capital gains, alternative, net worth, transfer, profits, withholding, payroll, employer health, excise, real property and personal property taxes, and any other taxes, customs duties, fees, assessments, or similar charges in the nature of a tax, including Canada Pension Plan and provincial pension plan contributions, employment insurance payments and workers’ compensation premiums, together with any instalments with respect thereto, and any interest, fines and penalties with respect thereto, imposed by any Governmental Authority (including federal, state, provincial, municipal and foreign Governmental Authorities), and whether disputed or not.

“**Term CORRA Adjustment**” means, for any calculation with respect to a Term CORRA Loan, a percentage per annum as set forth below for the applicable Interest Period therefor:

<u>Interest Period</u>	<u>Percentage</u>
One month	0.29547%
Three months	0.32138%

“**Term CORRA Administrator**” means Candéal Benchmark Administration Services Inc., TSX Inc., or any successor administrator.

“**Term CORRA**” means, for any calculation with respect to a Term CORRA Loan, the Term CORRA Reference Rate for a tenor comparable to the applicable Interest Period on the day (such day, the “Periodic Term CORRA Determination Day”) that is two (2) Business Days prior to the first day of such Interest Period, as such rate is published by the Term CORRA Administrator; provided, however, that if as of 1:00 p.m. (Toronto time) on any Periodic Term CORRA Determination Day the Term CORRA Reference Rate for the applicable tenor has not been published by the Term CORRA Administrator and a Benchmark Replacement Date with respect to the Term CORRA Reference Rate has not occurred, then Term CORRA will be the Term CORRA Reference Rate for such tenor as published by the Term CORRA Administrator on the first preceding Business Day for which such Term CORRA Reference Rate for such tenor was published by the Term CORRA Administrator so long as such first preceding Business Day is not more than three (3) Business Days prior to such Periodic Term CORRA Determination Day.

“**Term CORRA Borrowing**” means a Borrowing comprised of one or more Term CORRA Loans.

“**Term CORRA Loan**” means a Loan denominated in Canadian Dollars which bears interest at a rate based on Adjusted Term CORRA.

“**Term CORRA Reference Rate**” means the forward-looking term rate based on CORRA.

“**Term Credit**” means the \$27,400,000 term credit established by the Term Credit Lenders pursuant to their Term Credit Commitments.

“**Term Credit Commitment**” has the meaning set out in Section 2.1(2).

“**Term Credit Exposure**” means, with respect to any Lender at any time, the Canadian \$ Amount of the outstanding principal amount of such Lender’s Term Loans at such time.

“**Term Credit Lender**” means any Lender having a Term Credit Commitment hereunder or a Term Loan outstanding hereunder.

“**Term Credit Maturity Date**” means February 7, ~~2028~~2029 as such date may be extended from time to time pursuant to Section 2.6.

“**Termination Date**” means the first date on which:

- (a) the Lender Termination Date shall have occurred;

- (b) subject to clause (d)(ii) below, in the case of Secured Cash Management Obligations and Secured Hedge Obligations, Secured Financial Product Collateralization shall have been provided,
- (c) the Administrative Agent shall have received cash collateral in order to secure any other contingent Secured Liabilities for which a claim or demand for payment has been made on or prior to such time or in respect of matters or circumstances known to Administrative Agent or a Lender at such time that are reasonably expected to result in any loss, cost, damage, or expense (including legal fees and expenses), such cash collateral to be in such amount as Administrative Agent reasonably determines is appropriate to secure such contingent Secured Liabilities; and
- (d) the payment or repayment in full in immediately available funds of all other outstanding Secured Liabilities (including the payment of any termination amount then applicable (or which would or could become applicable as a result of the repayment of the other Secured Liabilities) under Secured Hedge Arrangements) other than (i) unasserted contingent indemnification Secured Liabilities, and (ii) any Secured Cash Management Obligations and Secured Hedge Obligations, that, at such time, are allowed by the provider to remain outstanding without being required to be repaid or collateralized under Secured Financial Product Collateralization.

“**Term Loan**” has the meaning set out in Section 2.1(2).

“**Total Delayed Draw Term Credit Commitments**” means, at any time, the aggregate Delayed Draw Term Credit Commitments of all Lenders at such time.

“**Total Delayed Draw Term Credit Exposure**” means, at any time, the aggregate Delayed Draw Term Credit Exposures of all Lenders as at such time.

“**Total Indebtedness**” means, at any time, the aggregate amount of Indebtedness of the Borrower at such time (other than Subordinated Affiliate Indebtedness and LC Indebtedness), determined on a Consolidated basis.

“**Total LC Exposure**” means, at any time, the sum of (a) the Canadian \$ Amount of the aggregate undrawn amount of all outstanding Letters of Credit at such time, plus (b) the Canadian \$ Amount of the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time.

“**Total Revolving Credit Commitments**” means, at any time, the aggregate Revolving Credit Commitments of all Lenders as at such time.

“**Total Revolving Credit Exposure**” means, at any time, the aggregate Revolving Credit Exposures of all Lenders as at such time.

“**Total Term Credit Exposure**” means, at any time, the aggregate Term Credit Exposures of all Lenders as at such time.

“**Transactions**” means the execution, delivery and performance by the Credit Parties of the Loan Documents, the borrowing of Loans and the use of the proceeds thereof, and the issuance of Letters of Credit.

“**Type**”, when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Canadian Prime Rate, Term CORRA or Daily Compounded CORRA, or whether such Borrowing takes the form of a Letter of Credit.

“**UK Financial Institution**” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“**UK Resolution Authority**” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

“**Unadjusted Benchmark Replacement**” has the meaning set out in Section 2.12(1)(f).

“**Undisclosed Administration**” means, in relation to a Lender or its direct or indirect parent company, the appointment of an administrator, provisional liquidator, conservator, receiver, receiver manager, trustee, custodian, or other similar official by a supervisory authority or regulator under or based on the law in the country where such Lender or such parent company is subject to home jurisdiction, if applicable Law requires that such appointment not be disclosed.

“**Unfunded Capex Expense**” means, with respect any period, Capital Expenditures made by the Borrower during such period on a consolidated basis that were not directly or indirectly funded with Permitted Indebtedness or an Equity Injection incurred or made concurrently or substantially concurrently.

“**Village**” means Village Farms International, Inc., a corporation subsisting under the laws of the Province of Ontario.

“**Village LP**” means Village Farms Canada Limited Partnership, a limited partnership formed and existing under the laws of British Columbia.

“**Wholly-Owned Subsidiary**” of a Person means any subsidiary of such Person of which securities (except for directors’ qualifying shares) or other ownership interests representing 100% of the equity or 100% of the ordinary voting power or 100% of the general partnership or membership interests are, at the time any determination is being made, owned, controlled or held by such Person or one or more subsidiaries of such Person or by such Person and one or more subsidiaries of such Person.

“**Write-Down and Conversion Powers**” means (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In

Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

“WURA” means *Winding Up and Restructuring Act* (Canada).

## **1.2 Classification of Loans and Borrowings.**

For purposes of this Agreement, Loans may be classified and referred to by class (*e.g.*, a “Revolving Loan”) or by Type (*e.g.*, a “CORRA Loan”) or by class and Type (*e.g.*, a “CORRA Revolving Loan”). Borrowings also may be classified and referred to by class (*e.g.*, a “Revolving Borrowing”) or by Type (*e.g.*, a “CORRA Borrowing”) or by class and Type (*e.g.*, a “CORRA Revolving Borrowing”).

## **1.3 Terms Generally.**

The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “or” is disjunctive; the word “and” is conjunctive. The words “to the knowledge of” means, when modifying a representation, warranty or other statement of any Person, that the fact or situation described therein is known by such Person (or, in the case of a Person other than a natural Person, known by the Responsible Officer of such Person) making the representation, warranty or other statement, or with the exercise of reasonable due diligence under the circumstances (in accordance with the standard of what a reasonable Person in similar circumstances would have done) would have been known by such Person (or, in the case of a Person other than a natural Person, would have been known by such Responsible Officer of such Person). For the purposes of determining compliance with or measuring status under any cap, threshold or basket hereunder denominated in Canadian Dollars, reference shall be had to the Equivalent Amount of any portion of the underlying component that is not denominated in Canadian Dollars. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented, restated or replaced (subject to any restrictions on such modifications set out herein), (b) any reference herein to any law, rule or regulation or any section thereof shall, unless otherwise expressly stated, be deemed to be a reference to such law, rule or regulation or section as amended, restated or re-enacted from time to time, (c) any reference herein to any Person shall be construed to include such Person’s successors and permitted assigns, (d) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (e) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, and (f) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement. Any reference herein to an action, document or other matter or thing being “satisfactory to the Lenders”, “to the Lenders’ satisfaction” or similar phrases, shall mean that such action, document, matter or thing must be satisfactory to Lenders

constituting the Required Lenders, unless it is described in Section 9.2(2) (a) through (j), hereof, in which case it must be satisfactory to each Lender whose consent is required under the applicable clause.

#### **1.4 Québec Matters.**

For purposes of any assets, liabilities or entities located in the Province of Québec and for all other purposes pursuant to which the interpretation or construction of this Agreement or any other Loan Document may be subject to the laws of the Province of Québec or a court or tribunal exercising jurisdiction in the Province of Québec, (a) “personal property” shall include “movable property”, (b) “real property” or “real estate” shall include “immovable property”, (c) “tangible property” shall include “corporeal property”, (d) “intangible property” shall include “incorporeal property”, (e) “security interest”, “mortgage” and “lien” shall include a “hypothec”, “right of retention”, “prior claim”, “reservation of ownership” and a resolutory clause, (f) all references to filing, perfection, priority, remedies, registering or recording under the Uniform Commercial Code or a Personal Property Security Act shall include publication under the *Civil Code of Québec*, (g) all references to “perfection” or “perfected” liens or security interest shall include a reference to an “opposable” or “set up” hypothec as against third parties, (h) any “right of offset”, “right of setoff” or similar expression shall include a “right of compensation”, (i) “goods” shall include “corporeal movable property” other than chattel paper, documents of title, instruments, money and securities, (j) an “agent” shall include a “mandatary”, (k) “construction liens” or “mechanics, materialmen, repairmen, construction contractors or other like Liens” shall include “legal hypothecs” and “legal hypothecs in favour of persons having taken part in the construction or renovation of an immovable”, (l) “joint and several” shall include “solidary”, (m) “gross negligence or wilful misconduct” shall be deemed to be “intentional or gross fault”, (n) “beneficial ownership” shall include “ownership on behalf of another as mandatary”, (o) “easement” shall include “servitude”, (p) “priority” shall include “rank” or “prior claim”, as applicable (q) “survey” shall include “certificate of location and plan”, (r) “state” shall include “province”, (s) “fee simple title” shall include “absolute ownership” and “ownership” (including ownership under a right of superficies), (t) “accounts” shall include “claims”, (u) “legal title” shall be including “holding title on behalf of an owner as mandatary or prete-nom”, (v) “ground lease” shall include “emphyteusis” or a “lease with a right of superficies, as applicable, (w) “leasehold interest” shall include “rights resulting from a lease”, (x) “lease” shall include a “leasing contract” and (y) “foreclosure” shall include “the exercise of hypothecary recourse”, and (z) “guarantee” and “guarantor” shall include “suretyship” and “surety”, respectively. The parties hereto confirm that it is their wish that this Agreement and any other document executed in connection with the transactions contemplated herein be drawn up in the English language only and that all other documents contemplated thereunder or relating thereto, including notices, may also be drawn up in the English language only. *Les parties aux présentes confirment que c’est leur volonté que cette convention et les autres documents de crédit soient rédigés en langue anglaise seulement et que tous les documents, y compris tous avis, envisagés par cette convention et les autres documents peuvent être rédigés en langue anglaise seulement.*

#### **1.5 Accounting Terms; GAAP.**

Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP. Except as otherwise expressly provided herein, all calculations of the components of the financial information for the purposes of determining compliance with the financial ratios and financial covenants contained herein shall be made on a basis consistent with GAAP in existence as at the Closing Date and used in the preparation of the Consolidated financial statements of the Borrower referred to in Section 5.1(1). In the event of a change in GAAP, the Borrower and the Administrative Agent shall negotiate in good faith to revise (if appropriate) such ratios and covenants to give effect to the intention of the parties under this Agreement as at the Closing Date,

and any new financial ratio or financial covenant shall be subject to approval by the Required Lenders. Until the successful conclusion of any such negotiation and approval by the Required Lenders, (a) all calculations made for the purpose of determining compliance with the financial ratios and financial covenants contained herein shall be made on a basis consistent with GAAP in existence immediately prior to such adoption or change, and (b) financial statements delivered pursuant to Section 5.1(1) shall be accompanied by a reconciliation showing the adjustments made to calculate such financial ratios and financial covenants. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed in this Agreement and rounding the result up or down to the nearest number (with a round-up if there is no nearest number) to the number of places by which such ratio is expressed in this Agreement.

### **1.6 Time.**

All time references herein shall, unless otherwise specified, be references to local time in Toronto, Ontario. Time is of the essence of this Agreement and the other Loan Documents.

### **1.7 Third Party Beneficiaries.**

(1) Except as set out in clause (2) below, this Agreement and the Security Documents are for the sole benefit of the Parties and nothing in them, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement or the Security Documents.

(2) Each Non-Party Beneficiary shall be entitled to enjoy the benefit of those provisions of this Agreement and the Security Documents that, by their terms, are in favour of such Non-Party Beneficiary (including all Liens granted for its benefit as a Secured Party). In furtherance thereof, each Party (i) accepts such provisions as agent and trustee for its Related Non-Party Beneficiaries, and (ii) shall be entitled to enforce such provisions on behalf of its Related Non-Party Beneficiaries. For the avoidance of doubt, any reference to a Permitted Lien shall not serve to subordinate or postpone any Lien created by any Security Document to such Permitted Lien.

(3) Notwithstanding clause (2) above or any other term of this Agreement or any Security Document, the consent of any Non-Party Beneficiary or other Person who is not a Party is not required to amend, modify or supplement this Agreement or any Security Document.

### **1.8 Rates.**

The Administrative Agent does not warrant or accept responsibility for, and shall not have any liability with respect to (a) the continuation of, administration of, submission of, calculation of or any other matter related to the Canadian Prime Rate, Term CORRA or Daily Compounded CORRA (each, a “**Subject Rate**”) or any component definition thereof or rates referred to in the definition thereof, or any alternative, successor or replacement rate thereto (including any Benchmark Replacement), including whether the composition or characteristics of any such alternative, successor or replacement rate (including any Benchmark Replacement) will be similar to, or produce the same value or economic equivalence of, or have the same volume or liquidity as any Subject Rate or any other Benchmark prior to its discontinuance or unavailability, or (b) the effect, implementation or composition of any Conforming Changes. The Administrative Agent and its Affiliates or other related entities may engage in transactions that affect the calculation of the Subject Rate, any alternative, successor or replacement rate (including any Benchmark Replacement) or any relevant adjustments thereto, in each case, in a manner adverse to

the Borrower. The Administrative Agent may select information sources or services in its reasonable discretion to ascertain any Subject Rate or any other Benchmark, in each case pursuant to the terms of this Agreement, and shall have no liability to the Borrower, any Lender or any other Person for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise and whether at law or in equity), for any error or calculation of any such rate (or component thereof) provided by any such information source or service.

## ARTICLE 2 THE CREDITS

### 2.1 Commitments.

(1) *Revolving Credit.* Subject to the terms and conditions set forth herein, each Revolving Credit Lender commits to make loans (each such loan made under this Section 2.1(1), a “**Revolving Loan**”) to the Borrower from time to time during the period commencing on the Closing Date and ending on the Revolving Credit Maturity Date (each such commitment, a “**Revolving Credit Commitment**”) in an aggregate principal amount outstanding up to the amount set forth beside such Lender’s name in **Schedule 2.1** under the heading “Revolving Credit Commitment”; provided that a Revolving Credit Lender shall not be required to extend further credit hereunder if such extension would result in (a) such Revolving Credit Lender’s Revolving Credit Exposure exceeding such Revolving Credit Lender’s Revolving Credit Commitment, or (b) the Total Revolving Credit Exposure exceeding either the Total Revolving Credit Commitments or the Borrowing Base. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, repay and reborrow Revolving Loans.

(2) *Term Credit.* Subject to the terms and conditions set forth herein, each Term Credit Lender commits to make a loan (each such loan made under this Section 2.1(2), a “**Term Loan**”) to the Borrower by way of a single advance on the Closing Date (each such commitment, a “**Term Credit Commitment**”) in an aggregate principal amount up to the amount set forth beside such Lender’s name in **Schedule 2.1** under the heading “Term Credit Commitment”. For the avoidance of doubt, the Term Credit was fully advanced on the Closing Date, such that there is no further availability thereunder. The principal amount of outstanding Term Loans as of the First Amendment Date is Cdn.\$24,400,000.

(3) *Delayed Draw Term Credit.* Subject to the terms and conditions set forth herein, each Delayed Draw Term Credit Lender commits to make loans (each such loan made under this Section 2.1(3), a “**Delayed Draw Term Loan**”) to the Borrower from time to time during the period commencing on the First Amendment Date and ending on the date that is 18 months after the First Amendment Date (each such commitment, a “**Delayed Draw Term Credit Commitment**”) in an aggregate principal amount up to the amount set forth beside such Lender’s name in Schedule 2.1 under the heading “Delayed Draw Term Credit Commitment”. Any ~~undrawn~~-portion of ~~any~~the Delayed Draw Term Credit Commitment that is undrawn on the date that is 18 months after the First Amendment Date shall be cancelled immediately~~following such single advance.~~

### 2.2 Loans and Borrowings.

(1) *Loans.* Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Revolving Credit Lenders rateably based upon their Applicable Percentages. Each Term Loan shall be made as part of a Borrowing consisting of Term Loans made by the Term Credit Lenders rateably based upon their Applicable Percentages. Each Delayed Draw Term Loan shall be made as part of a Borrowing consisting of Delayed Draw Term Loans made by the Delayed

Draw Term Credit Lenders rateably based upon their Applicable Percentages. Each Swingline Loan shall be made in accordance with the procedures set forth in Section 2.20. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(2) *Composition of Borrowings.* Subject to Section 2.20, each Revolving Borrowing shall be comprised entirely of Canadian Prime Loans, Term CORRA Loans, Daily Compounded CORRA Loans, or Letters of Credit as the Borrower may request in accordance herewith. Each Term Borrowing shall be comprised entirely of Canadian Prime Loans, Term CORRA Loans, or Daily Compounded CORRA Loans as the Borrower may request in accordance herewith. Each Delayed Draw Term Borrowing shall be comprised entirely of Canadian Prime Loans, Term CORRA Loans, or Daily Compounded CORRA Loans as the Borrower may request in accordance herewith.

(3) *Amount of Borrowings.* At the commencement of each Interest Period for any CORRA Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$100,000 and not less than \$1,000,000. At the time that each Canadian Prime Borrowing (other than a Swingline Loan) is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$100,000 and not less than \$1,000,000 provided that a Canadian Prime Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total applicable Commitments or that is required to finance the reimbursement of an LC Disbursement. Borrowings of more than one Type and class may be outstanding at the same time; provided that there shall not at any time be more than a total of 10 CORRA Borrowings outstanding.

### 2.3 Requests for Borrowings.

(1) *Requesting a Borrowing.* To request a Borrowing (other than a Swingline Loan), the Borrower shall notify the Administrative Agent of such request in writing substantially in the form of Exhibit B (each, a "**Borrowing Request**") (a) in the case of a CORRA Borrowing, not later than 11:00 a.m. three Business Days before the date of the proposed Borrowing, or (b) in the case of a Canadian Prime Borrowing, not later than 11:00 a.m., one Business Day before the date of the proposed Borrowing; provided that any such notice of a Canadian Prime Borrowing to finance the reimbursement of an LC Disbursement shall not be given later than 10:00 a.m. on the date of the proposed Borrowing. Each Borrowing Request shall be irrevocable. The Administrative Agent and each Lender are entitled to rely and act upon any Borrowing Request given or purportedly given by the Borrower, and the Borrower hereby waives the right to dispute the authenticity and validity of any such request or resulting transaction once the Administrative Agent or any Lender has advanced funds, based on such Borrowing Request. Each Borrowing Request shall specify the following information:

- (a) the aggregate amount of each requested Borrowing, and whether such Borrowing will consist of Revolving Loans ~~or~~, Term Loans or Delayed Draw Term Loans;
- (b) the date of such Borrowing, which shall be a Business Day;
- (c) whether such Borrowing is to be a Canadian Prime Borrowing, a Term CORRA Borrowing, a Daily Compounded CORRA Borrowing or a Letter of Credit;
- (d) in the case of a CORRA Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

- (e) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply herewith.

(2) *Default Terms.* If no election as to whether the Borrower is to be a Canadian Prime Borrowing, a term CORRA Borrowing, a Daily Compounded CORRA Borrowing or a Letter of Credit is specified, then the requested Borrowing shall be a Canadian Prime Borrowing. If no Interest Period is specified with respect to any requested CORRA Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with Section 2.1(2), the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

(3) *Conversion or Rollover of Borrowings.* Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request. Thereafter, the Borrower may elect to convert a Borrowing to a different Type or to rollover such Borrowing and, in the case of a CORRA Borrowing, may elect a new Interest Period therefor, all as provided in this Section 2.3(3). The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated rateably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section 2.3(3) shall not apply to Swingline Loans, which may not be converted or continued. To make an election pursuant to this Section 2.3(3), the Borrower shall notify the Administrative Agent of such election by the time that a Borrowing Request would be required under Section 2.3(1) if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such request shall be irrevocable. In addition to the information specified in Section 2.3(1), each written Borrowing Request shall specify the Borrowing to which such request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing. Notwithstanding the foregoing, the Borrower is not entitled to elect a new Interest Period in respect of a CORRA Borrowing, or to convert a Borrowing of any Type into a CORRA Borrowing, if a Default has occurred and is continuing.

(4) *Deemed Election to Convert.* In the absence of a timely and proper election (including due to the existence of a Default) with regard to CORRA Borrowings, the Borrower shall be deemed to have elected to convert such CORRA Borrowings to Canadian Prime Borrowings on the last day of the Interest Period of the relevant CORRA Borrowings.

## **2.4 Funding of Borrowings.**

(1) *Funding.* Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; provided that Swingline Loans shall be made as provided in Section 2.20. The Administrative Agent shall make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in Toronto and designated by the Borrower in the applicable Borrowing Request.

(2) *Each Lender's Share of Borrowing.* Unless the Administrative Agent has received written notice from a Lender one Business Day prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.4(1) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the

applicable Borrowing available to the Administrative Agent, then the Administrative Agent shall seek repayment of such corresponding amount, firstly, from the applicable Lender and, secondly, from the Borrower, if the applicable Lender does not immediately repay such corresponding amount. The applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at the default interest rate applicable to Canadian Prime Loans (if the unpaid amount is denominated in Canadian Dollars). If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrower shall be made without prejudice to any claim the Borrower may have against a Defaulting Lender.

## 2.5 Interest.

(1) *Interest.* The Loans comprising each Canadian Prime Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 days or 366 days, as the case may be) at a rate per annum equal to the Canadian Prime Rate plus the Applicable Margin from time to time in effect. The Loans comprising each Term CORRA Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 days) at a rate per annum equal to Adjusted Term CORRA plus the Applicable Margin from time to time in effect. The Loans comprising each Daily Compounded CORRA Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 days) at a rate per annum equal to Adjusted Daily Compounded CORRA plus the Applicable Margin from time to time in effect.

(2) *Before and After Judgment Interest.* Notwithstanding the foregoing, if a Default or an Event of Default shall have occurred and be continuing, the Loans shall bear interest, after as well as before judgment:

- (a) subject to Sections 2.5(2)(b) and (c), at a rate per annum equal to 2% plus the rate otherwise applicable to such Loan or, in the case of any amount not constituting principal or interest on a Loan, at a rate equal to 2% plus the rate otherwise applicable to, in the case of Canadian Dollar amounts, Canadian Prime Loans (such 2% increase being the "**Default Interest**");
- (b) if the rate provided for in Section 2.5(2)(a) is determined to be unenforceable, then at a rate per annum equal to the rate otherwise applicable to such Loan or, in the case of any amount not constituting principal or interest on a Loan, at a rate equal to the rate otherwise applicable to, in the case of Canadian Dollar amounts, Canadian Prime Loans; and
- (c) notwithstanding the terms of any other Loan Document, Default Interest shall not be secured by a mortgage on real property or a hypothec on immovables, and no proceeds of realization upon such lands shall be applied against Default Interest.

For the avoidance of doubt, Default Interest shall otherwise be secured by the Liens granted under the Security Documents and be fully recoverable against the proceeds of realization upon personal property and real property upon which the Administrative Agent does not hold a Lien.

(3) *Accrued Interest.* Accrued interest (3) on each Loan shall be payable in arrears on (a) each applicable Interest Payment Date, (b) in the case of Revolving Loans, upon termination of the Revolving

Credit Commitments, ~~and~~ (c) in the case of Term Loans, upon termination of the Term Credit Commitments, and (d) in the case of Delayed Draw Term Loans, upon termination of the Delayed Draw Term Credit Commitments. In addition, in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment. Interest on overdue amounts shall be payable upon demand.

(4) *Days Interest Payable.* All interest hereunder shall be payable for the actual number of days elapsed (including the first day but excluding the last day). Any Loan that is repaid on the same day on which it is made shall bear interest for one day. The applicable Canadian Prime Rate, Adjusted Term CORRA and Adjusted Daily Compounded CORRA shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

(5) *Yearly Rate of Interest.*

(a) For the purposes of the *Interest Act* (Canada) and disclosure thereunder, whenever any interest or any fee to be paid under any Loan Document is to be calculated on the basis of a 360-day or 365-day year, the yearly rate of interest to which the rate used in such calculation is equivalent is the rate so used multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by 360 or 365, as applicable. The rates of interest under this Agreement are nominal rates, and not effective rates or yields. The principle of deemed reinvestment of interest does not apply to any interest calculation under this Agreement.

(b) The Borrower acknowledges and confirms that:

(i) clause (a) above satisfies the requirements of Section 4 of the *Interest Act* (Canada) to the extent it applies to the expression or statement of any interest payable under any Loan Document; and

(ii) each Credit Party is able to calculate the yearly rate or percentage of interest payable under any Loan Document based upon the methodology set out in clause (a) above.

(c) The Borrower agrees not to, and to cause each Credit Party not to, plead or assert, whether by way of defence or otherwise, in any proceeding relating to the Loan Documents, that the interest payable thereunder and the calculation thereof has not been adequately disclosed to any Credit Party, whether pursuant to Section 4 of the *Interest Act* (Canada) or any other applicable Law or legal principle.

(d) Notwithstanding anything to the contrary contained in this Agreement, if the amount of interest payable under any Loan Document is reduced by virtue of the application of Section 4 of the *Interest Act* (Canada), then the Borrower shall immediately and retroactively be obligated to pay to the Administrative Agent for the account of the applicable Lenders, promptly on demand by the Administrative Agent (or, if an Event of Default pursuant to Sections 7.1(h) or (i) shall have occurred and be continuing, automatically and without further action by the Administrative Agent), an amount equal to the amount of such reduction.

(6) *Criminal Interest.* If any provision of this Agreement would oblige the Borrower to make any payment of interest or other amount payable to any Lender in an amount or calculated at a rate

which would be prohibited by applicable Law or would result in a receipt by that Lender of “interest” at a “criminal rate” (as such terms are construed under the *Criminal Code* (Canada)), then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by Law or so result in a receipt by that Lender of “interest” at a “criminal rate”, such adjustment to be effected, to the extent necessary (but only to the extent necessary), as follows:

- (a) first, by reducing the amount or rate of interest to be paid to the affected Lender under Section 2.5; and
- (b) thereafter, by reducing any fees, commissions, costs, expenses, premiums and other amounts required to be paid to the affected Lender which would constitute interest for purposes of section 347 of the *Criminal Code* (Canada).

(7) *Reconciliation for Additional Interest and Fees.* Notwithstanding anything to the contrary contained in this Agreement, if, as a result of any restatement or other adjustment to the financial statements delivered under this Agreement (including any adjustment to unaudited financial statements as a result of subsequent audited financial statements) or for any other reason, the reported Leverage Ratio as of any applicable date was inaccurate and, as a result of such occurrence the Applicable Margins applicable to any Loans or any fees for any period were lower than would otherwise be the case, then the Borrower shall immediately and retroactively be obligated to pay to the Administrative Agent for the account of the applicable Lenders, promptly on demand by the Administrative Agent (or, if an Event of Default pursuant to Sections 7.1(h), (i) or (j) shall have occurred and be continuing, automatically and without further action by the Administrative Agent), an amount equal to the excess of the amount of interest and fees that should have been paid by the Borrower for such period over the amount of interest and fees actually paid by the Borrower for such period, plus interest on such amount at the rate otherwise applicable herein. The Borrower’s obligations under this Section 2.5(7) shall survive the termination of the Commitments and the repayment of all Indebtedness hereunder.

## 2.6 Termination and Reduction of Commitments; Extensions.

(1) *Maturity Dates.* Unless previously terminated, the Revolving Credit Commitments shall terminate on the Revolving Credit Maturity Date, ~~and~~ the Term Credit Commitments shall terminate on the Term Credit Maturity Date and the Delayed Draw Term Credit Commitments shall terminate on the Delayed Draw Term Credit Maturity Date.

(2) *Cancellation of Unused Credit.* The Borrower may, upon five Business Days’ prior written notice to the Administrative Agent, permanently cancel any unused portion of the Revolving Credit or the Delayed Draw Term Credit, without penalty. The Administrative Agent shall promptly notify each Revolving Credit Lender or Delayed Draw Term Credit Lender, as applicable, of the receipt by the Administrative Agent of any such notice. Any such cancellation shall be applied rateably in respect of the Revolving Credit Commitments of each Revolving Credit Lender or the Delayed Draw Term Credit Commitments of each Delayed Draw Term Credit Lender, as applicable. Each notice delivered by the Borrower pursuant to this Section 2.6(2) shall be irrevocable.

## 2.7 Repayment of Loans.

(1) *Repayment of Revolving Credit.* The Borrower hereby unconditionally promises to pay (a) to the Administrative Agent for the account of the Revolving Credit Lenders the outstanding principal

amount of the Revolving Loans on the Revolving Credit Maturity Date, and (b) to the Swingline Lender the then unpaid principal amount of each Swingline Loan outstanding, on the request of the Swingline Lender, provided such request occurs no earlier than 5 Business Days after such Swingline Loan is made.

(2) *Repayment of Term Credit.* The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of the Term Credit Lenders the outstanding principal amount of the Term Loans in instalments in the amounts and on the dates set forth below (in each case as reduced by the application of any prepayments made pursuant to Section 2.9) with such payments to be applied on a pro rata basis to the Term Loans of each Term Credit Lender based upon its Applicable Percentage at the time of such payment:

<b>Date</b>	<b>Amount</b>
Each Quarterly Date, commencing June 30, 2025	\$1,000,000

On the Term Credit Maturity Date.

The remaining unpaid amount of the Term Loans

(3) Repayment of Delayed Draw Term Credit. The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of the Delayed Draw Term Credit Lenders the outstanding principal amount of each Delayed Draw Term Loans in instalments in the amounts and on the dates set forth below (in each case as reduced by the application of any prepayments made pursuant to Section 2.9 and subject to Section 2.9(4)) with such payments to be applied on a *pro rata* basis to the Delayed Draw Term Loans of each Delayed Draw Term Credit Lender based upon its Applicable Percentage at the time of such payment:

Date

Amount

Each Quarterly Date, commencing June 30, 2026

Delayed Draw Term Credit Amortization Amount

Delayed Draw Term Credit Maturity Date.

The remaining unpaid amount of the Delayed Draw Term Loans

**2.8 Evidence of Debt.**

(1) *Accounts of Indebtedness.* Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the Indebtedness of the Borrower to such Lender resulting from each Borrowing made by such Lender hereunder, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(2) *Account Details.* The Administrative Agent shall maintain accounts in which it shall record (a) the amount of each Borrowing made hereunder, the class and Type thereof and, in the cases of CORRA Loans, the relevant Interest Period, applicable thereto, (b) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder, and (c) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(3) *Accounts Conclusive.* The entries made in the accounts maintained pursuant to Sections 2.8(1) and (2) shall be conclusive evidence (absent manifest error) of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Borrowings in accordance with the terms of this Agreement. In the event of a conflict between the records maintained by the Administrative Agent and any Lender, the records maintained by the Administrative Agent shall govern.

(4) *Promissory Notes.* Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.4) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

## **2.9 Prepayments.**

(1) *Borrowing Base.* If at any time the Total Revolving Credit Exposure exceeds the Borrowing Base, then the Borrower shall immediately pay to the Administrative Agent, for the account of the Revolving Credit Lenders, the amount of such excess to be applied (a) as a prepayment of the Revolving Loans and Reimbursement Obligations outstanding, and (b) thereafter as LC Cover for any Total LC Exposure in an amount of such remaining excess.

(2) *Mandatory Loan Prepayments.*

(a) In the event of an Asset Disposition by any Credit Party, the Borrower shall, within three (3) Business Days of such Asset Disposition, prepay (by payment to the Administrative Agent for the account of the Lenders) an aggregate principal amount of Loans equal to the amount of Net Proceeds therefrom; provided that this prepayment requirement shall not apply:

- (i) to that portion of such Net Proceeds which, when aggregated with the Net Proceeds from any other Asset Disposition made in the same Fiscal Year in respect of which payment has not been made pursuant to Section 2.9(2)(a), is less than \$1,000,000; or
- (ii) to that portion of such Net Proceeds used by a Credit Party to purchase replacement assets within 180 days of their receipt if, within three (3) days of such receipt the Borrower has notified the Administrative Agent of its intention to apply such Net Proceeds in such manner.

(b) In the event of a Casualty Event with respect to any Credit Party, the Borrower shall, within three (3) Business Days of receipt of any proceeds therefrom, prepay (by payment to the Administrative Agent for the account of the Lenders) an aggregate principal amount of Loans equal to the amount of Net Proceeds therefrom.

(c) Prepayments of the Loans pursuant to Section 2.9(2) shall be applied (i) first, to the permanent prepayment of the Amortization Payments required to be made in respect of

the Term Credit, in inverse order of maturity, ~~and~~ (ii) second, to the permanent prepayment of the Amortization Payments required to be made in respect of the Delayed Draw Term Credit, in inverse order of maturity, and (iii) third, to the permanent prepayment of amounts outstanding under the Revolving Credit and the permanent cancellation of a corresponding portion of the Revolving Credit. The Borrower shall provide to the Administrative Agent written notice of such prepayment at least three Business Days prior to the date such prepayment is to be made; provided that any failure to do so shall not relieve the Borrower of the prepayment obligation in question.

(3) *Voluntary Prepayments.* The Borrower may, at its option, at any time and from time to time, prepay without penalty (subject to Section 2.14) or premium the Loans, in whole or in part, upon giving three Business Days' prior written notice to the Administrative Agent. Such notice shall specify the date and amount of prepayment and whether the prepayment is of (i) Revolving Loans ~~or~~, Term Loan or Delayed Draw Term Loans (or a combination thereof), and (ii) Canadian Prime Loans, Term CORRA Loans, Daily Compounded CORRA Loans, or any combination thereof, and, in each case if a combination thereof, the principal amount allocable to each. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein. Prepayments of the Term Loans or Delayed Draw Term Loans pursuant to this Section 2.9(3) shall be applied against all of the Amortization Payments in the inverse order of maturity.

(4) *Notice by Borrower.* Each notice provided by the Borrower hereunder in respect of any prepayment hereunder shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid. Each partial voluntary prepayment of any Borrowing under the Term Credit or Delayed Draw Term Credit shall be permanent and shall be in an amount that would be permitted in the case of a Borrowing as provided in Section 2.2(3).

(5) *Notice by Administrative Agent.* Upon receipt of a notice of prepayment pursuant to Section 2.9, the Administrative Agent shall promptly notify each Lender of the contents thereof and of such Lender's share of such prepayment based upon its Applicable Percentage

(6) *General.* Any amount required to be prepaid on a date pursuant to Section 2.9 shall be due and payable together with any amount payable pursuant to Section 2.14 and accrued interest to such date on such amount in accordance with Section 2.5(3). Any prepayment pursuant to Sections 2.9(1) shall be applied within a Credit first to Canadian Prime Loans and second to CORRA Loans, and the Borrower shall convert funds received pursuant to Section 2.9(2)(a) as required to do so. No prepayment of any Term Loan or Delayed Draw Term Loan may be reborrowed.

## **2.10 Fees.**

(1) *Standby Fees.*

(a) The Borrower shall pay to the Administrative Agent for the account of and distribution to each Revolving Credit Lender a standby fee for the period commencing on the Closing Date to and including the Revolving Credit Maturity Date (or such earlier date as the Revolving Credit Commitments shall have been terminated entirely) computed at a rate per annum equal to the rate stipulated under "Standby Fee" in the definition of Applicable Margin on the excess amount of the Revolving Credit Commitment of such Revolving Credit Lender over its Revolving Credit Exposure. Such standby fee shall be (a) payable in arrears on each Quarterly Date, commencing on the first Quarterly Date to occur after the Closing Date, and on the date on which the Revolving Credit

Commitments terminate, and (b) computed daily on the basis of a year of 365 or 366 days, as the case may be, and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

- (b) The Borrower shall pay to the Administrative Agent for the account of and distribution to each Delayed Draw Term Credit Lender a standby fee for the period commencing on the First Amendment Date to and including the day that is 18 months from the First Amendment Date (or such earlier date as the Delayed Draw Term Credit Commitments shall have been terminated entirely) computed at a rate per annum equal to the rate stipulated under “Standby Fee” in the definition of Applicable Margin on the excess amount of the Delayed Draw Term Credit Commitment of such Delayed Draw Term Credit Lender over its Delayed Draw Term Credit Exposure. Such standby fee shall be (a) payable in arrears on each Quarterly Date, commencing on the first Quarterly Date to occur after the First Amendment Date, and on the date on which the Delayed Draw Term Credit Commitments terminate, and (b) computed daily on the basis of a year of 365 or 366 days, as the case may be, and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(2) *Participation and Fronting Fees.* With respect to Letters of Credit, the Borrower shall pay:

- (i) to the Administrative Agent for the account of each Revolving Credit Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the Applicable Margin for Letters of Credit on the daily amount of such Lender’s LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Closing Date to but excluding the later of the date on which such Lender’s Revolving Credit Commitment terminates and the date on which such Lender ceases to have any LC Exposure; and
- (ii) to the Issuing Bank (x) a fronting fee which shall accrue at the rate of 12.5 basis points per annum on the daily amount of the Total LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements during the period from and including the Closing Date to but excluding the later of the date of termination of the Revolving Credit Commitments and the date on which there ceases to be any Total LC Exposure, and (y) the Issuing Bank’s standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder;

Participation fees and fronting fees shall be (a) payable in arrears on each Quarterly Date, commencing on the first Quarterly Date to occur after the Closing Date and on the date on which the Revolving Credit Commitments terminate, and (b) computed daily on the basis of a year of 365 days or 366 days, as the case may be, and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). Participation and fronting fees accruing after the date on which the Revolving Credit Commitments terminate shall be payable on demand.

(3) *Extension and Upfront Fees.* The Borrower shall pay to the Administrative Agent for the account of each ~~Lender~~, applicable Lender:

- (a) an extension fee equal to 15 bps upon the sum of such Lender's Revolving Credit Commitment and Term Credit Exposure on the First Amendment Date, the entirety of which extension fee shall be due and payable on the First Amendment Date; and
- (b) an upfront fee equal to ~~0.30%~~15 bps per annum upon such Lender's ~~aggregate Commitments on the Closing~~Delayed Draw Term Credit Commitment on the First Amendment Date, calculated over the period from the First Amendment Date to the Delayed Draw Term Credit Maturity Date, the entirety of which upfront fee shall be due and payable on the ~~Closing~~First Amendment Date.

(4) *Fees to Administrative Agent.* The Borrower shall pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon in the Fee Letter.

(5) *Payment of Fees.* All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Issuing Bank in the case of fees payable to it) for distribution, in the case of standby and participation fees, to the Lenders. Fees paid shall not be refundable except in the case of manifest error in the calculation of any fee payment.

## **2.11 Inability to Determine Rates.**

(1) *Subject to Section 2.12,* if, on or prior to the first day of any Interest Period for any Term CORRA Loan or Daily Compounded CORRA Loan, as applicable:

- (a) the Administrative Agent determines (which determination shall be conclusive and binding absent manifest error) that "Adjusted Term CORRA", or "Adjusted Daily Compounded CORRA", as applicable, cannot be determined pursuant to the definition thereof, for reasons other than a Benchmark Transition Event, or
- (b) the Required Lenders determine that for any reason in connection with any request for a Term CORRA Loan, or Daily Compounded CORRA Loan applicable, or a conversion thereto or a continuation thereof, that Adjusted Term CORRA, or Adjusted Daily Compounded CORRA, as applicable, for any requested Interest Period with respect to a proposed Term CORRA Loan, or Daily Compounded CORRA Loan, as applicable, does not adequately and fairly reflect the cost to such Lenders of making and maintaining such Loan, and the Required Lenders have provided notice of such determination to the Administrative Agent,

the Administrative Agent will promptly so notify the Borrower and each Lender.

(2) Upon delivery of such notice by the Administrative Agent to the Borrower under Section 2.11(1), any obligation of the Lenders to make Term CORRA Loans, Daily Compounded CORRA Loans, as applicable, and any right of the Borrower to continue Term CORRA Loans, Daily Compounded CORRA Loans, as applicable, or to convert Canadian Prime Loans to Term CORRA Loans or Daily Compounded CORRA Loans, as applicable, shall be suspended (to the extent of the affected Term CORRA Loans, or Daily Compounded CORRA Loans, as applicable, or affected Interest Periods) until the Administrative Agent (with respect to clause (b), at the instruction of the Required Lenders) revokes such notice.

- (3) Upon receipt of such notice by the Administrative Agent to the Borrower under Section 2.11(1),
- (a) the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Term CORRA Loans, Daily Compounded CORRA Loans (to the extent of the affected Term CORRA Loans, Daily Compounded CORRA Loans or affected Interest Periods);
  - (b) in respect of Term CORRA Loans, the Borrower may elect to convert any such request into a request for a Borrowing of or conversion to Daily Compounded CORRA Loans;
  - (c) in respect of Term CORRA Loans, the Borrower may elect to convert any outstanding affected Term CORRA Loans at the end of the applicable Interest Period, into Daily Compounded CORRA Loans;
  - (d) subject to (a) and (b), the Borrower will be deemed to have converted any such request for Term CORRA Loans or Daily Compounded CORRA Loans into a request for a Borrowing of or conversion to Prime Rate Loans, in each case in the amount specified therein;
  - (e) subject to (c), any outstanding affected Term CORRA Loans or Daily Compounded CORRA Loans, as applicable, will be deemed to have been converted, at the end of the applicable Interest Period, into Prime Rate Loans, in each case at the end of the applicable Interest Period.

Upon any such conversion, the Borrower shall also pay accrued interest on the amount so converted, together with any additional amounts required pursuant to Section 2.14.

(4) [Reserved.]

(5) Subject to Section 2.12(1), if the Administrative Agent determines (which determination shall be conclusive and binding absent manifest error) that “Adjusted Term CORRA” cannot be determined pursuant to the definition thereof on any given day, the interest rate on Canadian Prime Loans shall be determined by the Administrative Agent without reference to clause (b) of the definition of “Canadian Prime Rate” until the Administrative Agent revokes such determination.

## **2.12 Rate Fallbacks.**

- (1) CORRA Fallback.
  - (a) *Benchmark Replacement.* Notwithstanding anything to the contrary herein or in any other Loan Document, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior any setting of the then-current Benchmark, then
    - (x) if a Benchmark Replacement is determined in accordance with clause (a) of the definition of “Benchmark Replacement” for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Loan Document in respect of such Benchmark setting and subsequent Benchmark settings without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document and
    - (y) if a Benchmark Replacement is determined in accordance with clause (b) of the definition of

“Benchmark Replacement” for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Loan Document in respect of any Benchmark setting at or after 5:00 p.m. (Toronto time) on the fifth (5th) Business Day after the date notice of such Benchmark Replacement is provided to the Lenders without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document so long as the Administrative Agent has not received, by such time, written notice of objection to such Benchmark Replacement from Lenders comprising the Required Lenders. If the Benchmark Replacement is Adjusted Daily Compounded CORRA, all interest payments will be payable on the last day of each Interest Period. No Secured Hedge Arrangement shall be deemed to be a “Loan Document” for purposes of this Section 2.12(1)).

- (b) *Benchmark Replacement Conforming Changes.* In connection with the use, administration, adoption or implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document.
- (c) *Notices; Standards for Decisions and Determinations.* The Administrative Agent will promptly notify the Borrower and the Lenders of (i) the implementation of any Benchmark Replacement and (ii) the effectiveness of any Conforming Changes in connection with the use, administration, adoption or implementation of a Benchmark Replacement. The Administrative Agent will notify the Borrower of (x) the removal or reinstatement of any tenor of a Benchmark pursuant to Section 2.12(1)(d) and (y) the commencement of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Administrative Agent or, if applicable, any Lender (or group of Lenders) pursuant to this Section 2.12(1) including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party to this Agreement or any other Loan Document, except, in each case, as expressly required pursuant to this Section 2.12(1).
- (d) *Unavailability of Tenor of Benchmark.* Notwithstanding anything to the contrary herein or in any other Loan Document, at any time (including in connection with the implementation of a Benchmark Replacement), (i) if the then-current Benchmark is a term rate (including Term CORRA) and either (A) any tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion or (B) the regulatory supervisor for the administrator of such Benchmark has provided a public statement or publication of information announcing that any tenor for such Benchmark is not or will not be representative, then the Administrative Agent may modify the definition of “Interest Period” (or any similar or analogous definition) for any Benchmark settings at or after such time to remove such unavailable or non-representative tenor and (ii) if a tenor that was removed pursuant to clause (i) above either (A) is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or (B) is not, or is no longer, subject to an

announcement that it is not or will not be representative for a Benchmark (including a Benchmark Replacement), then the Administrative Agent may modify the definition of “Interest Period” (or any similar or analogous definition) for all Benchmark settings at or after such time to reinstate such previously removed tenor.

- (e) *Benchmark Unavailability Period.* Upon the Borrower’s receipt of notice of the commencement of a Benchmark Unavailability Period, the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Loans, which are of the Type that have a rate of interest determined by reference to the then-current Benchmark, to be made, converted or continued during any Benchmark Unavailability Period and, failing that, the Borrower will be deemed to have converted any such request into a request for a Borrowing of or conversion to, (i) for a Benchmark Unavailability Period in respect of Term CORRA, Daily Compounded CORRA Loans, and (ii) for a Benchmark Unavailability Period in respect of a Benchmark other than Term CORRA, Canadian Prime Loans.

- (f) *Definitions.* As used in this Section 2.12(1) or otherwise with respect to CORRA:

“**Available Tenor**” means, as of any date of determination and with respect to the then-current Benchmark, as applicable, (x) if such Benchmark is a term rate, any tenor for such Benchmark (or component thereof) that is or may be used for determining the length of an interest period pursuant to this Agreement or (y) otherwise, any payment period for interest calculated with reference to such Benchmark (or component thereof) that is or may be used for determining any frequency of making payments of interest calculated with reference to such Benchmark pursuant to this Agreement, in each case, as of such date and not including, for the avoidance of doubt, any tenor for such Benchmark that is then-removed from the definition of “Interest Period” pursuant to Section 2.12(1)(d).

“**Benchmark**” means, initially, the Term CORRA Reference Rate or Daily Compounded CORRA, as the case may be; provided that if a Benchmark Transition Event has occurred with respect to the Term CORRA Reference Rate, Daily Compounded CORRA, or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Section 2.12(1)(a).

“**Benchmark Replacement**” means, with respect to any Benchmark Transition Event:

- (a) where a Benchmark Transition Event has occurred with respect to Term CORRA Reference Rate, Daily Compounded CORRA; and
- (b) where a Benchmark Transition Event has occurred with respect to a Benchmark other than the Term CORRA Reference Rate, the sum of: (i) the alternate benchmark rate that has been selected by the Administrative Agent and the Borrower giving due consideration to (A) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (B) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement to the

then-current Benchmark for Dollar-denominated syndicated credit facilities and (ii) the related Benchmark Replacement Adjustment.

If the Benchmark Replacement as determined pursuant to clause (a) or (b) above would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Loan Documents.

“**Benchmark Replacement Adjustment**” means, with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Borrower giving due consideration to (a) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (b) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for Canadian Dollar-denominated syndicated credit facilities at such time.

“**Benchmark Replacement Date**” means a date and time determined by the Administrative Agent, which date shall be no later than the earliest to occur of the following events with respect to the then-current Benchmark:

- (a) in the case of clause (a) or (b) of the definition of “Benchmark Transition Event,” the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide all Available Tenors of such Benchmark (or such component thereof); or
- (b) in the case of clause (c) of the definition of “Benchmark Transition Event,” the first date on which such Benchmark (or the published component used in the calculation thereof) has been determined and announced by the regulatory supervisor for the administrator of such Benchmark (or such component thereof) to be non-representative; provided that such non-representativeness will be determined by reference to the most recent statement or publication referenced in such clause (c) and even if any Available Tenor of such Benchmark (or such component thereof) continues to be provided on such date.

For the avoidance of doubt, the “Benchmark Replacement Date” will be deemed to have occurred in the case of clause (a) or (b) with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

“**Benchmark Transition Event**” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

- (a) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely; provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof);
- (b) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the Bank of Canada, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof) permanently or indefinitely; provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof); or
- (c) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that all Available Tenors of such Benchmark (or such component thereof) are not, or as of a specified future date will not be, representative.

For the avoidance of doubt, a “Benchmark Transition Event” will be deemed to have occurred with respect to any Benchmark if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark (or the published component used in the calculation thereof).

“**Benchmark Unavailability Period**” means, the period (if any) (a) beginning at the time that a Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Section 2.12(1) and (b) ending at the time that a Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Section 2.12(1).

“**Conforming Changes**” means, with respect to the use or administration of a Benchmark or the use, administration, adoption or implementation of any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Canadian Prime Rate,” the definition of “Business Day,” the definition of “Interest Period” or any similar or analogous definition (or the addition of a concept of “interest period”), timing and frequency of determining rates and making payments of interest, timing of Borrowing Requests or prepayment, conversion or continuation notices, the applicability and length of lookback periods, the applicability of Section 2.14 and other technical, administrative or operational matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of any such rate or to permit the use and administration thereof by the Administrative Agent in a manner

substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of any such rate exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement and the other Loan Documents).

“**Relevant Governmental Body**” means the Bank of Canada, or a committee officially endorsed or convened by the Bank of Canada, or any successor thereto.

“**Unadjusted Benchmark Replacement**” means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

### 2.13 Increased Costs; Illegality.

- (1) *Compensation for Increased Costs.* If any Change in Law shall:
- (a) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender; or
  - (b) impose on any Lender or Issuing Bank any other condition affecting this Agreement (including the imposition on any Lender of, or any change to, any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) and (c) of the definition of Excluded Taxes and (C) Connection Income Taxes) or other charge with respect to its Loans or any Letter of Credit or participation therein, or its obligation to make Loans or issue or participate in any Letter of Credit;

and the result of any of the foregoing is to increase the cost to such Lender of making or maintaining any Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or Issuing Bank hereunder (whether of principal, interest or otherwise), then the Borrower shall pay to such Lender or Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(2) *Compensation for Reduced Rate of Return.* If any Lender or Issuing Bank determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender’s or Issuing Bank’s capital or liquidity or on the capital or liquidity of such Lender’s holding company or such Issuing Bank’s holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by such Lender, or the Letters of Credit issued by such Issuing Bank, to a level below that which such Lender or Issuing Bank or such Lender’s or Issuing Bank’s holding company could have achieved but for such Change in Law (taking into consideration such Lender’s or Issuing Bank’s policies and the policies of such Lender’s or Issuing Bank’s holding company with respect to capital adequacy or liquidity and such Lender’s desired return on capital), then from time to time the Borrower shall pay to such Lender or Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or Issuing Bank or such Lender’s or Issuing Bank’s holding company for any such reduction suffered. Notwithstanding anything herein to the contrary, (a) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, and Basel Committee on Banking

Supervision (or any successor or similar authority) or by the United States, Canadian or foreign regulatory authorities, in each case pursuant to Basel III, and (b) the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (United States) and all requests, rules, guidelines, requirements and directives thereunder or issued in connection therewith or in implementation thereof, shall in each case be deemed to be a Change in Law for purposes of this Section 2.13(2) regardless of the date enacted, adopted, issued or implemented.

(3) *Certificate.* A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender as specified in Sections 2.13(1) or (2), together with a brief description of the Change in Law, shall be delivered to the Borrower by such Lender, and shall be conclusive absent manifest error. In preparing any such certificate, a Lender shall be entitled to use averages and to make reasonable estimates, and shall not be required to “match contracts” or to isolate particular transactions. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(4) *[Reserved.]*

(5) *Illegality.*

(a) If any Lender determines that it is unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender or its applicable lending office to make or maintain any Loan (or to maintain its obligation to make any Loan), or to participate in, issue or maintain any Letter of Credit (or to maintain its obligation to participate in or to issue any Letter of Credit), or to determine or charge interest rates based upon any particular rate, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender with respect to the activity that is unlawful shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. For the avoidance of doubt, such suspension shall occur notwithstanding that the activity in question was unlawful on the Closing Date. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay (or, if conversion would avoid the activity that is unlawful, convert) any Loans, or take any necessary steps with respect to any Letter of Credit in order to avoid the activity that is unlawful. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted. Each Lender agrees to designate a different lending office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender.

(b) If any Lender determines that it is unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender to hold or benefit from a Lien over any parcel of real property located in the United States, then such Lender may, by written notice to the Administrative Agent, disclaim any benefit of such Lien over such parcel to the extent of such illegality following which such Lender shall not share in any proceeds of realization upon such parcel; provided that, any such determination or disclaimer shall not invalidate, render unenforceable or otherwise impact in any manner whatsoever such Lien over such parcel with respect to any of the other Secured Parties.

## 2.14 Break Funding Payments.

In the event of (a) the failure by the Borrower to borrow, convert, continue or prepay any Loan on the date specified in any notice delivered by the Borrower pursuant hereto, (b) the payment or conversion of any CORRA Loan other than on the last day of an Interest Period (including as a result of an Event of Default), or (c) the assignment of any Loan (including the assignment of any CORRA Loan) other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.18, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event, including any loss, cost or expense arising from the liquidation or redeployment of funds or from any fees payable. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section 2.14 shall be delivered to the Borrower by such Lender and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

## 2.15 Taxes.

(1) *Gross-up for Taxes.* Any and all payments by or on account of any obligation of any Credit Party hereunder or under any Loan Document shall be made free and clear of and without deduction or withholding for any Taxes except as required by applicable Laws; provided that if any Credit Party shall be required to deduct or withhold any Taxes from such payments, then:

- (a) in the case of Indemnified Taxes, the sum payable by the applicable Credit Party shall be increased as necessary so that, after making all required deductions or withholdings (including deductions or withholdings applicable to additional sums payable under Section 2.15), the Administrative Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deduction or withholding been made;
- (b) the applicable Credit Party shall make such required deduction or withholding; and
- (c) the applicable Credit Party shall pay to the relevant Governmental Authority the full amount deducted or withheld in accordance with, and within the time limits prescribed by, applicable Law.

(2) *Stamp and Other Taxes.* In addition to the payments required by Section 2.15(1), the Borrower shall pay any and all present or future stamp or documentary Taxes or any other excise or property Taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement to the relevant Governmental Authority in accordance with applicable Law ("**Other Taxes**").

(3) *Indemnity for Taxes.* The Borrower shall indemnify the Administrative Agent, each Lender and Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes paid by the Administrative Agent, such Lender or Issuing Bank (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under Section 2.15) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a

Lender or Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or Issuing Bank, shall be conclusive absent manifest error.

(4) *Evidence of Tax Payments.* As soon as practicable after any payment of Indemnified Taxes described in Section 2.15(1) or (2) by a Credit Party to a Governmental Authority, such Credit Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(5) *[Reserved.]*

(6) *Indemnification by the Lenders.* Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that any Credit Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Credit Parties to do so), and (ii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (6).

(7) *Status of Lenders.* Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, prior to the date on which such Lender becomes a Lender under this Agreement or acquired an interest therein and at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(8) *Survival.* The obligations under this Section 2.15 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

## **2.16 Payments Generally; Pro Rata Treatment; Sharing of Set-offs.**

(1) *Payments.* The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, amounts payable under any

indemnity contained herein, or otherwise hereunder) prior to 12:00 noon, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at the Payment Office. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension, provided that, in the case of any payment with respect to a CORRA Loan, the date for payment shall be advanced to the next preceding Business Day if the next succeeding Business Day is in a subsequent calendar month. All payments under this Agreement shall be made in Canadian Dollars. The Borrower hereby irrevocably authorizes the Administrative Agent to debit any bank account of the Borrower which is maintained with the Administrative Agent to effect any payment due to the Lenders or the Administrative Agent pursuant to this Agreement; provided that (i) any action or proceeding pursuant to such authorization shall not be considered as a demand for payment under, or enforcement of or realization on, any Loan Document, but rather a standing direction by the Borrower to the Administrative Agent, and (ii) the Administrative Agent shall be permitted to act upon such authorization in its sole and absolute discretion, but shall not be required to do so without the written instruction of the Required Lenders. Any resulting overdraft in such account shall be payable by the Borrower to the Administrative Agent in same day funds.

(2) *Allocation of Insufficient Funds.* If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (a) first, towards payment of interest and fees then due hereunder, rateably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (b) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, rateably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(3) *Allocation of Funds in Event of Default.* If an Event of Default shall have occurred and be continuing, all payments or proceeds thereafter received by the Administrative Agent hereunder or under any other Loan Document in respect of any of the Secured Liabilities (including, but not limited to, Secured Cash Management Obligations and Secured Hedge Arrangements that are owing to any Secured Cash Management Provider or Secured Hedge Counterparty, as applicable), including, but not limited to all proceeds received by the Administrative Agent in respect of any sale of, any collection from, or other realization upon, all or any part of the Collateral and any LC Cover delivered prior to such Event of Default, shall, subject to Sections 2.5(2)(c), 2.13(5)(b) and 2.21, be applied as follows:

- (a) first, to the payment of all reasonable and documented costs and expenses of such sale, collection or other realization, including reasonable and documented compensation to the Administrative Agent and its agents and outside counsel, and all other reasonable and documented expenses, liabilities and advances made or incurred by the Administrative Agent in connection therewith, and all amounts for which the Administrative Agent is entitled to indemnification hereunder or under any other Loan Document (in its capacity as Administrative Agent and not as a Lender), and to the payment of all reasonable and documented costs and expenses paid or incurred by the Administrative Agent in connection with the exercise of any right or remedy hereunder or under any other Loan Document, all in accordance with the terms hereof or thereof;

- (b) second, to the extent of any excess of such payments or proceeds, to the rateable payment of any accrued interest, fee or commission due but unpaid under this Agreement;
- (c) third, to the extent of any excess of such payments or proceeds, to the rateable payment of the Loans, LC Cover, the Secured Hedge Obligations and the Secured Cash Management Obligations;
- (d) fourth, to the extent of any excess of such payments or proceeds, to the payment of any other amount due but unpaid under the Loan Documents; and
- (e) fifth, to the extent of any excess of such payments or proceeds, to the payment to or upon the order of the Borrower or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Notwithstanding the foregoing, in no event shall payments or proceeds received by the Administrative Agent from a Guarantor or in respect of its Collateral be applied against Excluded Swap Obligations of such Guarantor.

(4) *Sharing of Set-Offs.* If any Secured Party shall obtain payment in respect of any of its Secured Liabilities (including by way of set-off or counterclaim) resulting in such Secured Party receiving payment of a greater proportion of the aggregate amount of its Secured Liabilities than the proportion received by any other Secured Party on its Secured Liabilities, then the Secured Party receiving such greater proportion shall purchase (for cash at face value) participations in the Secured Liabilities owed to other Secured Parties (as applicable) to the extent necessary so that the benefit of all such payments shall be shared by the Secured Parties rateably in accordance with the aggregate amount of their respective Secured Liabilities; provided that (a) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (b) this Section 2.16(4) shall not apply to:

- (a) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement;
- (b) any payment obtained by a Lender as consideration for the assignment of, or sale of a participation in, any of its Loans (including participations in LC Disbursements and Swingline Loans);
- (c) any payment made by or on behalf of a Credit Party under or in connection with any Secured Cash Management Services made when no Event of Default has occurred and is continuing;
- (d) netting under or as between Secured Hedge Arrangements;
- (e) netting as between bank accounts maintained by a Lender and/or its Lender Affiliates;
- (f) subject to turnover pursuant Section 2.16(3), any provision of LC Cover made when no Event of Default has occurred and is continuing; or
- (g) any Permitted Hedge Payment.

The Borrower hereby consents to the foregoing and agrees, to the extent it may effectively do so under applicable Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation. For the avoidance of doubt, an LC Prepayment shall be subject to this Section 2.16(4), but other forms of LC Cover shall not unless and until monies are actually applied against Secured Liabilities.

(5) *Assumption of Payment; Reimbursement of Agent.* Unless the Administrative Agent shall have received written notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or an Issuing Bank hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the applicable default rate for Canadian Prime Loans.

(6) *Failure of Lender to Make Payment.* If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.16(5), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Section 2.16(5) until all such unsatisfied obligations are fully paid.

(7) *No Deemed Obligation for Source of Funds.* Nothing in this Agreement shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

## **2.17 Currency Indemnity.**

If, for the purposes of obtaining judgment in any court in any jurisdiction with respect to this Agreement or any other Loan Document, it becomes necessary to convert into a particular currency (the "**Judgment Currency**") any amount due under this Agreement or under any other Loan Document in any currency other than the Judgment Currency (the "**Currency Due**"), then conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which judgment is given. For this purpose "rate of exchange" means the rate at which the Administrative Agent is able, on the relevant date, to purchase the Currency Due with the Judgment Currency in accordance with its normal practice at its head office in Toronto, Ontario. In the event that there is a change in the rate of exchange prevailing between the Business Day immediately preceding the day on which the judgment is given and the date of receipt by the Administrative Agent of the amount due, the Borrower shall, on the date of receipt by the Administrative Agent, pay such additional amounts, if any, or be entitled to receive reimbursement of such amount, if any, as may be necessary to ensure that the amount received by the Administrative Agent on such date is the amount in the Judgment Currency which when converted at the rate of exchange prevailing on the date of receipt by the Administrative Agent is the amount then due under this Agreement or such other Loan Document in the Currency Due. If the amount of the Currency Due which the Administrative Agent is so able to purchase is less than the amount of the Currency Due originally due to it, the Borrower shall indemnify and save the Administrative Agent and the Lenders harmless from and against all loss or damage arising as a result of such deficiency. This indemnity shall constitute an

obligation separate and independent from the other obligations contained in this Agreement and the other Loan Documents, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by the Administrative Agent from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due under this Agreement or any other Loan Document or under any judgment or order.

## **2.18 Mitigation Obligations; Replacement of Lenders.**

(1) *Mitigation.* If any Lender requests compensation under Section 2.13, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15, then upon the written request of the Borrower, such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or Lender Affiliates, if, in the judgment of such Lender, such designation or assignment (a) would eliminate or reduce amounts payable pursuant to Section 2.13 or 2.15, as the case may be, in the future, and (b) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower shall pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(2) *Replacement of Lender.* If any Lender requests compensation under Section 2.13, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15, or if any Lender is a Defaulting Lender, then the Borrower may, at its sole expense (including the processing and recording fee contemplated by Section 9.4(2)) and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.4), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (a) if such assignee is not otherwise a Lender, the Borrower shall have received the prior written consent of the Administrative Agent (and, if a Commitment is being assigned, the Issuing Bank and Swingline Lender), which consent shall not unreasonably be withheld, conditioned or delayed, (b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts), and (c) in the case of any such assignment resulting from a claim for compensation under Section 2.13 or payments required to be made pursuant to Section 2.15, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply. Each party hereto agrees that an assignment required pursuant to this paragraph may be effected pursuant to an Assignment and Assumption executed by the Borrower, the Administrative Agent and the assignee (or, to the extent applicable, an agreement incorporating an Assignment and Assumption by reference pursuant to an Approved Electronic Platform as to which the Administrative Agent and such parties are participants), and (b) the Lender required to make such assignment need not be a party thereto in order for such assignment to be effective and shall be deemed to have consented to and be bound by the terms thereof; provided that, following the effectiveness of any such assignment, the other parties to such assignment agree to execute and deliver such documents necessary to evidence such assignment as reasonably requested by the applicable Lender, provided that any such documents shall be without recourse to or warranty by the parties thereto.

## 2.19 Letters of Credit.

(1) *General.* Subject to the terms and conditions set out herein, the Borrower may request the issuance of Letters of Credit as an availing of the Revolving Credit Commitment in any Approved Currency other than U.S. Dollars, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time up to the Revolving Credit Maturity Date. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall govern. Notwithstanding anything herein to the contrary, the Issuing Bank shall have no obligation hereunder to issue, and shall not issue, any Letter of Credit the proceeds of which would be made available to any Person (i) to fund any activity or business of or with any Sanctioned Person, or in any country or territory that, at the time of such funding, is the subject of any Sanctions, (ii) in any manner that would result in a violation of any Sanctions by any party to this Agreement or (iii) in any manner that would result in a violation of one or more policies of such Issuing Bank applicable to letters of credit generally.

(2) *Notice of Issuance, Amendment, Renewal, Extension, Certain Conditions.* To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (at least five Business Days in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension, the date on which such Letter of Credit is to expire (which shall comply with Section 2.19(3)), the amount in Canadian Dollars of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit, the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension, the Total Revolving Credit Exposure shall not exceed either the Total Revolving Credit Commitments or the Borrowing Base.

(3) *Expiration Date.* Each Letter of Credit shall expire at or prior to the close of business on the earlier of:

- (a) the date that is one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension); and
- (b) the date that is five Business Days prior to the Revolving Credit Maturity Date;

provided that:

- (c) a Letter of Credit for which supplementary fees have been agreed between the Issuing Bank (for its own account) and the Borrower may expire at any time (it being understood that LC Cover will be required on the maturity date); and

- (d) any Letter of Credit may contain customary automatic renewal provisions agreed upon by the beneficiary thereof and the Borrower and the Issuing Bank pursuant to which the expiration date of such Letter of Credit (an “**Auto Renewal Letter of Credit**”) shall automatically be extended for consecutive periods of up to twelve months (but, subject to the penultimate sentence of this Section 2.19(3), not to a date later than the date set forth in clause (b) above).

Unless otherwise directed by the Issuing Bank, the Borrower shall not be required to make a specific request to the Issuing Bank for any such automatic renewal. Once an Auto Renewal Letter of Credit has been issued, the Revolving Credit Lenders shall be deemed to have authorized (but may not require) the Issuing Bank to permit the renewal of such Letter of Credit at any time to an expiry date not later than the date set forth in clause (b) above.

(4) *Participations.* By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof), and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Revolving Credit Lender, and each Revolving Credit Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Revolving Credit Lender’s Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Revolving Credit Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Revolving Credit Lender’s Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in Section 2.19(5), or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Revolving Credit Lender acknowledges and agrees that its obligation to acquire participations pursuant to this Section 2.19(4) in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(5) *Reimbursement.* If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m. on such date, or, if such notice has not been received by the Borrower prior to 10:00 a.m. on such date, then not later than 12:00 noon on (a) the Business Day that the Borrower receives such notice, if such notice is received prior to 10:00 a.m. on the day of receipt, or (b) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to 10:00 a.m. on the day of receipt; provided that the Borrower may, subject to the conditions to borrowing set out herein, request in accordance with Section 2.1(2) that such payment be financed with a Canadian Prime Borrowing, or a Swingline Borrowing in an equivalent amount and, to the extent so financed, the Borrower’s obligation to make such payment shall be discharged and replaced by the resulting Canadian Prime Borrowing, or Swingline Borrowing. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Revolving Credit Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Revolving Credit Lender’s Applicable Percentage thereof. Promptly following receipt of such notice, each Revolving Credit Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Revolving Credit Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this Section 2.19(5), the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Revolving Credit Lenders have made payments pursuant to this

Section 2.19(5) to reimburse the Issuing Bank, then to such Revolving Credit Lenders and the Issuing Bank as their interests may appear. Any payment made by a Revolving Credit Lender pursuant to this Section 2.19(5) to reimburse the Issuing Bank for any LC Disbursement (other than the funding of Canadian Prime Borrowings, or Swingline Borrowings as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement. The Borrower shall reimburse an Issuing Bank (which may be comprised of multiple Persons where a Lender its Lender Affiliate are involved) for such foreign exchange costs (including as a result of currency fluctuations) arising in connection with the making of any LC Disbursement in the applicable currency of such LC Disbursement.

(6) *Obligations Absolute.* The Borrower's obligation to reimburse LC Disbursements as provided in Section 2.19(5) shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (a) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein or herein, (b) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (c) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (d) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of Section 2.19, constitute a legal or equitable discharge of, or provide a right of set-off against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Revolving Credit Lenders nor the Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to indirect, special, punitive or consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable Law) suffered by the Borrower that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or wilful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the Borrower and the Lenders agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(7) *Disbursement Procedures.* The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed in writing) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not

relieve the Borrower of its obligation to reimburse the Issuing Bank and the Revolving Credit Lenders with respect to any such LC Disbursement.

(8) *Interim Interest.* If the Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate then applicable to Canadian Prime Loans (if in Canadian Dollars). Interest accrued pursuant to this Section 2.19(8) shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Revolving Credit Lender pursuant to Section 2.19(5) to reimburse the Issuing Bank shall be for the account of such Revolving Credit Lender to the extent of such payment. Subject to the appointment and acceptance of a successor Issuing Bank, the Issuing Bank may resign as Issuing Bank at any time upon thirty days' prior written notice to the Administrative Agent, the Borrower and the Lenders, in which case, such Issuing Bank shall be replaced in accordance with Section 2.19(9) below.

(9) *Replacement of the Issuing Bank.* The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Revolving Credit Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank. From and after the effective date of any such replacement, (a) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter, and (b) references herein to the term "**Issuing Bank**" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(10) *Cash Collateralization.* If LC Cover is provided hereunder by way of cash collateralization, the Borrower shall lodge in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Revolving Credit Lenders, a cash deposit equal to the applicable LC Cover Amount. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Such Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of contingent Reimbursement Obligations or, if the maturity of the Loans has been accelerated, be applied to satisfy other obligations of the Borrower under this Agreement.

(11) *LC Prepayment.* Upon the making of any LC Prepayment with respect to a Letter of Credit,:

- (a) the Borrower will no longer have an interest in the monies paid, which will not constitute cash collateral or be required to be segregated by the Issuing Bank (whether via a separate bank account or a notional book entry);
- (b) the Issuing Bank will no longer be a contingent creditor of the Borrower with respect to such Letter of Credit; and
- (c) the Borrower will be a contingent creditor of the Issuing Bank with respect to such Letter of Credit.

(12) *LC Return Amount.* Where the Borrower has made an LC Prepayment or delivered cash collateral hereunder with respect to a Letter of Credit, the Issuing Bank shall, within 5 Business Days from the earlier of the date on which:

- (a) such Letter of Credit is fully drawn;
- (b) the original of such Letter of Credit is returned to the Issuing Bank for cancellation;
- (c) the Issuing Bank is conditionally released by the beneficiary of such Letter of Credit from any further obligations in respect thereof;
- (d) such Letter of Credit expires in accordance with its terms; or
- (e) any final and non-appealable order, judgment or other such determination has been rendered or issued by a court of competent jurisdiction permanently enjoining the Lender from paying under such Letter of Credit;

pay or return, as applicable, to the Borrower an amount equal to the LC Return Amount with respect to such Letter of Credit; provided that, if an Event of Default has occurred and is continuing at such time, then such payment shall be made to the Administrative Agent for application pursuant to Section 2.16(3).

(13) *Letters of Credit Issued for Account of Subsidiaries.* Notwithstanding that a Letter of Credit issued or outstanding hereunder supports any obligations of, or is for the account of, a Subsidiary, or states that a Subsidiary is the “account party,” “applicant,” “customer,” “instructing party,” or the like of or for such Letter of Credit, and without derogating from any rights of the applicable Issuing Bank (whether arising by contract, at law, in equity or otherwise) against such Subsidiary in respect of such Letter of Credit, the Borrower (i) shall reimburse, indemnify and compensate the applicable Issuing Bank hereunder in respect of such Letter of Credit (including to reimburse any and all drawings thereunder) as if such Letter of Credit had been issued solely for the account of the Borrower and (ii) irrevocably waives any and all defenses that might otherwise be available to it as a guarantor or surety of any or all of the obligations of such Subsidiary in respect of such Letter of Credit. The Borrower hereby acknowledges that the issuance of such Letters of Credit for its Subsidiaries inures to the benefit of the Borrower, and that the Borrower’s business derives substantial benefits from the businesses of such Subsidiaries. For the avoidance of doubt, all the terms and conditions of this Section 2.19 shall apply to any such Letter of Credit as if it had been issued by the Issuing Bank for the account of the Borrower.

## **2.20 Swingline Loans.**

(1) *General.* Subject to the terms and conditions set out herein and as part of its Revolving Credit Commitment, the Swingline Lender may, but shall have no obligation to make Loans (each such

Loan made under this Section 2.20, a “**Swingline Loan**”) to the Borrower from time to time during the period commencing on the Closing Date and ending on the Revolving Credit Maturity Date (such commitment being the “**Swingline Commitment**”), in an aggregate principal amount at any time outstanding up to \$1,000,000; provided that the Swingline Lender shall not be required to extend further credit hereunder if such extension would result in (a) the Swingline Exposure at such time exceeding the amount of the Swingline Commitment, (b) Total Revolving Credit Exposure exceeding either the Total Revolving Credit Commitments or the Borrowing Base, or (c) a Swingline Loan refinancing an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set out herein, the Borrower may borrow, prepay and reborrow Swingline Loans. Swingline Loans shall be available only by way of Canadian Prime Loans.

(2) *Interest.* Subject to the terms and conditions set out herein, the Borrower shall be entitled to obtain Swingline Loans by way of overdraft on the Swingline Account, and at any given time the outstanding principal amount of all Swingline Loans shall be equal to the aggregate amount by which the Swingline Accounts are overdrawn. Swingline Loans shall bear interest at a rate per annum equal to the rate applicable to a Canadian Prime Loan. Interest shall be payable on such dates, not more frequent than monthly, as may be specified by the Swingline Lender and in any event on the Revolving Credit Maturity Date. The Swingline Lender shall be responsible for invoicing the Borrower for such interest. The interest payable on Swingline Loans is solely for the account of the Swingline Lender.

(3) *[Reserved.]*

(4) *Swingline Lender Replacement.* The Swingline Lender may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Swingline Lender and the successor Swingline Lender. The Administrative Agent shall notify the Lenders of any such replacement of the Swingline Lender. At the time any such replacement shall become effective, the Borrower shall pay all unpaid interest accrued for the account of the replaced Swingline Lender. From and after the effective date of any such replacement, (i) the successor Swingline Lender shall have all the rights and obligations of the replaced Swingline Lender under this Agreement with respect to Swingline Loans made thereafter, and (ii) references herein to the term “Swingline Lender” shall be deemed to refer to such successor or to any previous Swingline Lender, or to such successor and all previous Swingline Lenders, as the context shall require. After the replacement of a Swingline Lender hereunder, the replaced Swingline Lender shall remain a party hereto and shall continue to have all the rights and obligations of a Swingline Lender under this Agreement with respect to Swingline Loans made by it prior to its replacement, but shall not be required to make additional Swingline Loans.

(5) *Swingline Lender Resignation.* Subject to the appointment and acceptance of a successor Swingline Lender, the Swingline Lender may resign as a Swingline Lender at any time upon thirty (30) days’ prior written notice to the Administrative Agent, the Borrower and the Lenders, in which case, such Swingline Lender shall be replaced in accordance with Section 2.20(4) above.

## **2.21 Defaulting Lenders.**

Notwithstanding any provision of this Agreement to the contrary, if any Lender is a Defaulting Lender, then the following provisions shall apply to such Lender for so long as it remains a Defaulting Lender:

- (a) fees shall cease to accrue pursuant to Section 2.10(1) on the unfunded portion of the Revolving Credit Commitment or Delayed Draw Term Credit Commitment of such Defaulting Lender;
- (b) the Revolving Credit Commitments (including Revolving Credit Exposure) ~~and~~, Term Credit Commitments (including Term Credit Exposure) and Delayed Draw Term Credit Commitments (including Delayed Draw Term Credit Exposure) of such Defaulting Lender shall not be included in determining whether all Lenders or the Required Lenders have taken or may take any action hereunder (including any consent to any amendment or waiver pursuant to Section 9.2); provided that any waiver or amendment which (i) affects such Defaulting Lender differently than other Lenders generally, shall in each case require the consent of such Defaulting Lender;
- (c) any amount owing by a Defaulting Lender to the Administrative Agent or another Lender that is not paid when due shall bear interest at the interest rate applicable to Canadian Prime Loans under the Revolving Credit, as applicable;
- (d) any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 7.1 or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 9.11 shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; *second*, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to any Issuing Bank hereunder; *third*, to cash collateralize the Issuing Banks' LC Exposure with respect to such Defaulting Lender in accordance with this Section; *fourth*, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; *fifth*, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (y) cash collateralize the Issuing Banks' future LC Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with this Section; *sixth*, to the payment of any amounts owing to the Lenders, the Issuing Banks as a result of any judgment of a court of competent jurisdiction obtained by any Lender, the Issuing Banks against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement or under any other Loan Document; *seventh*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement or under any other Loan Document; and *eighth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or LC Disbursements in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 4.2 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and LC Disbursements owed to, all non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or LC Disbursements owed

to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in the Borrower's obligations corresponding to such Defaulting Lender's LC Exposure are held by the Lenders pro rata in accordance with the Commitments without giving effect to clause (d). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post cash collateral pursuant to this Section shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto;

- (e) if a Defaulting Lender is an Insolvent Lender, any amount payable to such Defaulting Lender hereunder may, in lieu of being distributed pursuant to Section 2.21(d), be retained by the Administrative Agent to collateralize indemnification and reimbursement obligations of such Defaulting Lender hereunder in an amount determined by the Administrative Agent, acting reasonably;
- (f) If any Letters of Credit are outstanding at the time a Lender becomes a Defaulting Lender, then:
  - (i) all or any part of the pro rata share of such Defaulting Lender in respect of the outstanding Letters of Credit shall be reallocated among the Revolving Lenders which are not Defaulting Lenders (in this Section 2.21, "**Non-Defaulting Lenders**") in accordance with their respective Revolving Credit Commitments, provided that any such reallocation shall not cause any Non-Defaulting Lender to exceed its Revolving Credit Commitment;
  - (ii) if the reallocation described in clause (a) above cannot, or can only partially, be effected, the Borrower shall within five (5) Business Days following notice by the Administrative Agent (x) first, prepay such outstanding Swingline Loans, and (y) second, cash collateralize for the benefit of the Issuing Bank the Borrower's obligations corresponding to such Defaulting Lender's pro rata share of the outstanding Letters of Credit (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 2.21(g), for so long as such Letters of Credit are outstanding;
  - (iii) upon any reallocation pursuant to clause (a) above, the fees payable to the Lenders pursuant to Section 2.10(2) shall be adjusted in accordance with such Non-Defaulting Lenders' Revolving Credit Commitment; and
  - (iv) if all or any portion of such Defaulting Lender's pro rata share of the outstanding Letters of Credit is cash collateralized pursuant to clause (b) above, then, without prejudice to any rights or remedies of the Issuing Bank or any other Lender hereunder, all fees payable under Section 2.10(2) with respect to such Defaulting Lender's pro rata share of the outstanding Letters of Credit shall be payable to the Issuing Bank.
- (g) So long as any Lender is a Defaulting Lender, the Issuing Bank shall not be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure and the Defaulting Lender's then outstanding pro rata share of the outstanding Letters of Credit will be 100% covered by the Revolving Credit Commitments of the Non-Defaulting Lenders and/or cash collateral will be provided by the Borrower, and

participating interests in any such newly issued or increased Letter of Credit shall be allocated among Non-Defaulting Lenders in a manner consistent with Section 2.21(f) (and such Defaulting Lender shall not participate therein); and

- (h) If the Administrative Agent, the Borrower, the Issuing Bank each agree that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the LC Exposure of the Revolving Credit Lenders shall be readjusted to reflect the inclusion of such Revolving Credit Lender's Commitment and on such date such Revolving Credit Lender shall purchase at par such of the Loans of the other Revolving Credit Lenders as the Administrative Agent shall determine may be necessary in order for such Revolving Credit Lender to hold such Revolving Credit Loans in accordance with its Revolving Credit Commitment, whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of any Borrower while such Lender was a Defaulting Lender; provided further that, except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from such Lender having been a Defaulting Lender.

Except as otherwise expressly provided in this Section 2.21, no Commitment of any other Lender shall be increased or otherwise affected, and performance by a Borrower of its obligations hereunder and under the other Loan Documents shall not be excused or otherwise modified as a result of any Lender becoming a Defaulting Lender. The rights and remedies against a Defaulting Lender under this Section 2.21 are in addition to other rights and remedies which a Borrower may have against such Defaulting Lender as a result of it becoming a Defaulting Lender and which the Administrative Agent or any other Lender may have against such Defaulting Lender with respect thereto.

### ARTICLE 3 REPRESENTATIONS AND WARRANTIES

#### 3.1 Representations and Warranties of the Borrower.

In order to induce the Administrative Agent and the Lenders to enter into this Agreement, to make any Loans hereunder and to issue any Letters of Credit hereunder, the Borrower represents and warrants to the Administrative Agent and each Lender that each statement set forth in this Article 3 is true and correct on the date hereof. For the avoidance of doubt, such representations are repeated as at the date of each Borrowing and Compliance Certificate (other than a Borrowing by way of a conversion of an existing Loan to a Canadian Prime Loan), subject to update as provided in Section 5.1(1)(l).

(1) *Organization; Powers.* Each Credit Party and Village is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now and formerly conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

(2) *Authorization; Enforceability.* The Transactions are within the Credit Parties' and Village's corporate or partnership powers and have been duly authorized by all necessary corporate, partner and shareholder action, as applicable. This Agreement and the other Loan Documents have been duly executed and delivered by Village and each Credit Party (as applicable) and constitute legal, valid

and binding obligations of Village and each Credit Party (as applicable), enforceable in accordance with their terms, subject to applicable Legal Reservations. Specifically but without limitation, Section 2.5(5)(a) satisfies the requirements of Section 4 of the *Interest Act* (Canada) to the extent it applies to the expression or statement of any interest payable under any Loan Document, and each Credit Party is able to calculate the yearly rate or percentage of interest payable under any Loan Document based upon the methodology set out in such Section.

(3) *Governmental Approvals; No Conflicts.* The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except as disclosed in Schedule 3.1(3), (b) will not violate any applicable Law or the charter, by-laws or other organizational documents of any Credit Party or Village or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon any Credit Party or Village or their respective assets, or give rise to a right thereunder to require any payment to be made by any Credit Party or Village, and (d) will not result in the creation or imposition of, or the requirement to create, any Lien on any asset of any Credit Party or Village, except for any Lien arising in favour of the Administrative Agent, for the benefit of the Secured Parties, under the Loan Documents.

(4) *Financial Condition; No Material Adverse Effect.*

(a) The Borrower has furnished to the Lenders the consolidated balance sheets and statements of income, retained earnings and changes in financial position of the Borrower as of and for the Fiscal Years ended December 31<sup>st</sup> 2022, 2023 and 2024, reported on by its auditors. Such financial statements, and any subsequent financial statements delivered pursuant to Section 5.1(1), present fairly, in all material respects, the consolidated financial position and results of operations and cash flows of the Borrower as of the applicable dates and for the applicable periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in Section 5.1(1)(b). Other than as disclosed in the most recent audited financial statements of the Borrower delivered to the Administrative Agent, there are no off-balance sheet transactions arrangements, obligations (including contingent obligations) or other relationships of the Borrower or any other Credit Party with unconsolidated entities or other Persons that may have a material current or future effect on the financial condition, changes in financial condition, results of operations, earnings, cash flow, liquidity, capital expenditures, capital resources, or significant components of revenues or expenses of the Borrower or any other Credit Party.

(b) Since December 31, 2024 no Material Adverse Change has occurred.

(c) All information (including that disclosed in all financial statements) pertaining to the Credit Parties (other than projections) that has been or will be made available to the Lenders, the Administrative Agent or the Arranger by the Borrower or any representative of the Credit Parties, taken as a whole, is or will be, when furnished, complete and correct in all material respects and does not or will not, when furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made. The projections, forecasts, and budgets provided by or on behalf of the Borrower to the Administrative Agent have been prepared in good faith and are based on reasonable assumptions, and there are no statements or conclusions in such projections, forecasts, or budgets which are based

upon or include information known to the Borrower to be misleading in any material respect or which fail to take into account material information known to the Borrower regarding the matters reported therein. The Borrower believes that the forecasts and budgets provided by or on behalf of the Borrower to the Administrative Agent are reasonable and attainable, it being recognized that projections as to future events are not to be viewed as facts and that the actual results during the period or periods covered by such forecasts and budgets may differ from the projected results included in such forecasts and budgets and such differences may be material.

(5) *Litigation.*

(a) Except as disclosed in Schedule 3.1(5), and except for environmental-related matters (which are dealt with in Section 3.1(24)), there are no actions, suits or proceedings (including any Tax-related matter) by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting any of the Credit Parties (i) as to which there is a reasonable likelihood of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than as described in Schedule 3.1(25)), or (ii) that involve this Agreement, any other Loan Document or the Transactions.

(b) Since the date of this Agreement, there has been no change in the status of the matters described in Schedule 3.1(25) that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

(6) *Compliance with Laws (General).* Each Credit Party is in compliance with all Laws (other than Cannabis Laws) applicable to it or its property or business except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(7) *Compliance with Cannabis Laws.* Each Group Party is in material compliance with all Cannabis Laws applicable to it, its property or its business. Specifically, but without limitation, (i) no Group Party conducts or at any time has conducted any Cannabis Activities, or (ii) has made or held an Investment in any Person who conducts or at any time has conducted any Cannabis Activities, in either case other than in an Approved Cannabis Jurisdiction where such Cannabis Activities would not violate or result in a breach of any applicable Cannabis Law at the time in question, provided that any one or more Persons who are part of the Group Party may engage in business in the United States only for the purpose of business involving Industrial Hemp and in compliance with the *Agriculture Improvement Act of 2018*. Schedule 3.1(7) sets out all Investments in Persons conduction Cannabis Activities.

(8) *Authorizations (General).* No Credit Party has violated or failed to obtain any Authorization (other than any Cannabis Authorization) necessary to the ownership of any of its property or assets or the conduct of its business, which violation or failure could reasonably be expected to have (in the event that such a violation or failure were asserted by any Person through appropriate action) a Material Adverse Effect.

(9) *Cannabis Authorizations.* No Group Party has violated or failed to obtain any Cannabis Authorization necessary to (i) the ownership of any of its property or assets or the conduct of its business, or (ii) to make or hold any Investment in any Person who conducts Cannabis Activities. All Cannabis Authorizations:

- (a) have been duly obtained, taken, given or made;
- (b) are valid and in full force and effect, and
- (c) are free from conditions or requirements that have not been met or complied with where the failure to so satisfy may allow for the material modification or revocation thereof.

Each Group Party is in compliance in all material respects with all Cannabis Authorizations held by, or in favour of, such Group Party. Specifically, but without limitation, no Group Party conducts or has conducted any Cannabis Activities in a building or facility for which an applicable Cannabis Authorization was not in full force and effect at the time in question. No Group Party has received any notice from any Governmental Authority regarding any actual or alleged violation of, or any failure on the part of the Group Party to comply with, any term or requirement of any Cannabis Authorization that has not been remedied. No Group Party has received any written notice from any Governmental Authority of any revocation or intention to revoke any interest of any Group Party in any of the Cannabis Authorizations that has not been remedied. No Group Party knows of any reason why any Cannabis Authorization should be suspended, cancelled or revoked or of any factor that would in any way prejudice the continuance or renewal of any Cannabis Authorization. All Taxes, assessments, maintenance fees and other amounts required to maintain the Cannabis Authorizations have been paid in full.

(10) *Compliance with Agreements.* No Credit Party is in default, nor has any event or circumstance occurred which, but for the passage of time or the giving of notice, or both, would constitute a default (in any respect that would have a Material Adverse Effect), under (a) any loan or credit agreement, indenture, mortgage, deed of trust, security agreement or other instrument or agreement evidencing or pertaining to any Indebtedness of any Credit Party, or (b) under any other agreement or instrument to which a Credit Party is a party or by which any Credit Party is bound.

(11) *No Default.* No Default has occurred and is continuing.

(12) *Taxes.* Each Credit Party has filed or caused to be filed when due all material Tax returns and reports required to have been filed and has paid or caused to be paid when due all material Taxes required to have been paid by it (including all instalments with respect to the current period) and has made adequate provision for Taxes for the current period, except Taxes that are being contested in good faith by appropriate proceedings and for which such Credit Party, as applicable, has set aside on its books adequate reserves.

(13) *Clean Title; Liens.* The Credit Parties have indefeasible fee simple registered and beneficial title to their respective owned real properties, and with respect to leased real properties, indefeasible title to the leasehold estate with respect thereto, pursuant to valid and enforceable leases, in each case free and clear of all Liens except Permitted Liens. All personal property in which any Credit Party has any right, title or interest is free and clear of all Liens except Permitted Liens.

(14) *D2 Property.* The Borrower is in compliance with each and every term of the D2 Lease (including, without limitation, with respect to the payment of rent) and:

- (a) is the registered and beneficial owner of the D2 Property;
- (b) has good leasehold title to the D2 Property; and

- (c) has good right, full power and absolute authority (and has obtained all consents required) to mortgage the D2 Property and convey the D2 Lease to the Agent,

in each case, free and clear of any and all Liens except for Permitted Liens.

(15) *D3 Property*. The Borrower is the registered and beneficial owner of the D3 Property, free and clear of any and all Liens except for Permitted Liens.

(16) *Leased Properties* – No Credit Party has a leasehold interest in any real property other than the D2 Property.

(17) *Pension Plans*.

- (a) Each Pension Plan is duly registered under the ITA and applicable pension standards legislation and has been administered in all material respects in accordance with applicable Law and the terms of such plan. All material obligations of each Credit Party (including fiduciary, funding, investment and administration obligations) required to be performed in connection with the Pension Plans and the funding agreements thereunder have been performed on a timely basis. There are no outstanding disputes concerning the assets of any Pension Plan and there have been no improper withdrawals of any assets of the Pension Plans. All assessments owed to the Pension Benefits Guarantee Fund established under the *Pension Benefits Act* (Ontario), or other assessments or payments required under similar legislation in any other jurisdiction have been paid when due in respect of each Pension Plan.
- (b) In respect of each Pension Plan that is a Defined Benefit Plan, (i) the plan's name, registration number and jurisdiction of registration are disclosed on Schedule 3.1(17), (ii) a copy of the most recently prepared actuarial valuation report for the plan has been provided by the Borrower to the Administrative Agent and the Lenders, (iii) no changes have occurred since the date of the most recently prepared actuarial valuation report for the plan or are reasonably expected to occur which would adversely affect the conclusion set out in the most recently prepared actuarial valuation report, and (iv) no events have occurred which could reasonably be expected to result in a wind-up or termination of the plan, in whole or in part.
- (c) All employee and employer contributions (including special payments and any other payments in respect of any funding deficiencies or shortfalls) or premiums required to have been remitted to the Pension Plans under the terms of the applicable plan and applicable Law have been properly withheld and remitted to the funding arrangement for the plan in a timely manner.
- (d) No Credit Party or any of the Pension Plans are subject to the *United States Employee Retirement Income Security Act of 1974*, as amended.

(18) *Casualties; Taking of Properties*. Since December 31, 2024 neither the Business nor the properties of any Credit Party have been affected in a manner that has had, or could reasonably be expected to have, a Material Adverse Effect as a result of any fire, explosion, earthquake, flood, drought, windstorm, accident, strike or other labour disturbance, embargo, requisition or taking of property or cancellation of contracts, permits or concessions by any domestic or foreign Governmental Authority, riot, activities of armed forces, or acts of God or of any public enemy. Except as set out on Schedule

3.1(18), there is no expropriation or similar proceeding, actual or threatened, of which any Credit Party has notice, or reason to believe such notice is pending or threatened, against any owned or leased lands of any Credit Party, or any material part thereof.

- (19) *Subsidiaries.* As of the Closing Date, Schedule 3.1(19) correctly sets forth:
- (a) the legal name of each Credit Party and its form of legal entity and jurisdiction of organization;
  - (b) the Equity Securities issued and outstanding by each Credit Party, and the registered and beneficial owners thereof;
  - (c) the Equity Securities (other than publicly-traded Equity Securities) owned by each Credit Party; and
  - (d) a corporate organizational chart of the Borrower and its subsidiaries.

No Credit Party owns any Equity Securities or debt securities which are convertible into, or exchangeable for, Equity Securities of any other Person. There are no outstanding options, warrants or other rights to purchase, or other agreements outstanding with respect to, or property that is now or hereafter convertible into, or that requires the issuance or sale of, any Equity Securities of any Credit Party. All such Equity Securities are duly authorized, validly issued, fully paid and non-assessable, and were issued in compliance with all applicable federal, provincial or foreign securities and other Laws, and are free and clear of all Liens, except for Permitted Liens. The Credit Parties have no minority interests in any partnerships, Joint Ventures or other Persons other than Marketable Securities that are Permitted Investments.

(20) *Insurance.* The Credit Parties maintain insurance policies and coverage in compliance with Section 5.1(10). Such insurance coverage (a) is sufficient for compliance with all requirements of applicable Law and of all agreements to which any Credit Party is a party, (b) is provided under valid, outstanding and enforceable policies, (c) provides adequate insurance coverage in at least such amounts and against at least such risks (but including in any event public liability) as are usually insured against in the same general area by Persons engaged in the same or a similar business to the assets and operations of the Credit Parties, and (d) will not in any way be affected by, or terminate or lapse by reason of, the Transactions. All such material policies are in full force and effect, all premiums with respect thereto have been paid in accordance with their respective terms, and no notice of cancellation or termination has been received with respect to any such policy. Each Credit Party has no reason to believe that it will not be able to renew the insurance policies currently in force or to obtain similar coverage from financially sound, reputable independent insurance companies, at a cost that is not significantly higher. Except as set out on Schedule 5.1(9), no Credit Party has a material claim pending against any insurer or pursuant to any insurance policy, and no knowledge of any fact, event or circumstance that could give rise to any such claim. No Credit Party maintains any formalized self-insurance program with respect to its assets or operations or material risks with respect thereto in excess of \$1,000,000 in the aggregate. The certificate of insurance delivered to the Administrative Agent pursuant to Section 4.1(7) contains an accurate and complete description of all material policies of insurance owned or held by each Credit Party on the Closing Date.

- (21) *Subsidiaries.* Each Subsidiary is a Credit Party.

(22) *Solvency*. No Credit Party or Village is an “insolvent person” within the meaning of the BIA.

(23) *Material Contracts*. Schedule 3.1(23) sets out all Material Contracts. A true and complete copy of each Material Contract has been delivered to the Administrative Agent. Each of the Material Contracts is in full force and effect. No Credit Party is in default under or in breach of any term or condition of any Material Contract that would have, either individually or in the aggregate, a Material Adverse Effect, nor is any Credit Party aware of any default under or breach of any term or condition of any Material Contract by any other party thereto that would have a Material Adverse Effect.

(24) *Environmental Matters*. Except as disclosed to the Lenders in Schedule 3.1(24):

(a) *Environmental Laws, Etc.* Neither any property of the Credit Parties nor the operations conducted thereon violate any applicable order of any court or Governmental Authority or any Environmental Laws, which violation could reasonably be expected to result in remedial obligations having a Material Adverse Effect, assuming disclosure to the applicable Governmental Authority of all relevant facts, conditions and circumstances, if any, pertaining to the relevant property.

(b) *Notices, Permits, Etc.* All notices, permits, licenses or similar authorizations, if any, required to be obtained or filed by the Credit Parties in connection with the operation or use of any and all property of the Credit Parties, including but not limited to past or present treatment, transportation, storage, disposal or Release of Hazardous Materials into the environment, have been duly obtained or filed, except to the extent the failure to obtain or file such notices, permits, licenses or similar authorizations could not reasonably be expected to have a Material Adverse Effect, or which could not reasonably be expected to result in remedial obligations having a Material Adverse Effect, assuming disclosure to the applicable Governmental Authority of all relevant facts, conditions and circumstances, if any, pertaining to the relevant property.

(c) *Hazardous Substances Carriers*. All Hazardous Materials generated at any and all property of the Credit Parties have been treated, transported, stored and disposed of only in accordance with all Environmental Laws applicable to them, except to the extent the failure to have such Hazardous Materials so transported, treated or disposed of could not reasonably be expected to have a Material Adverse Effect, and only at treatment, storage and disposal facilities maintaining valid permits under applicable Environmental Laws, which carriers and facilities have been and are operating in compliance with such permits, except to the extent the failure to have such Hazardous Materials treated, transported, stored or disposed of at such facilities, or the failure of such carriers or facilities to so operate, could not reasonably be expected to have a Material Adverse Effect or which could not reasonably be expected to result in remedial obligations having a Material Adverse Effect, assuming disclosure to the applicable Governmental Authority of all relevant facts, conditions and circumstances, if any, pertaining to the relevant property.

(d) *Hazardous Materials Disposal*. The Credit Parties have taken all reasonable steps necessary to determine and have determined that no Hazardous Materials have been disposed of or Released (and there has been no threatened Release) of any Hazardous Materials on or to any property of the Credit Parties other than in compliance with Environmental Laws, except to the extent the disposition or Release of such Hazardous

Materials could not reasonably be expected to have a Material Adverse Effect or which could not reasonably be expected to result in remedial obligations having a Material Adverse Effect, assuming disclosure to the applicable Governmental Authority of all relevant facts, conditions and circumstances, if any, pertaining to the relevant property.

- (e) *No Contingent Liability.* The Credit Parties have no material contingent liability in connection with any Release or threatened Release of any Hazardous Materials into the environment except (i) contingent liabilities which could not reasonably be expected to exceed \$500,000 in excess of applicable insurance coverage at any one time and from time to time, and for which adequate reserves for the payment thereof as required by GAAP have been provided, and (ii) contingent liabilities which could not reasonably be expected to result in remedial obligations having a Material Adverse Effect, assuming disclosure to the applicable Governmental Authority of all relevant facts, conditions and circumstances, if any, pertaining to such Release or threatened Release.

(25) *Employee Matters.*

- (a) Except as set out in Schedule 3.1(25), none of the Credit Parties, nor any of their respective employees, is subject to any collective bargaining agreement. There are no strikes, slowdowns, work stoppages or controversies pending or, to the best knowledge of the Borrower, threatened against the Credit Parties, or their respective employees, which could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect. Except as set out in Schedule 3.1(25), none of the Credit Parties is subject to an employment contract providing for a fixed term of employment or providing for special payments on termination of employment, the termination or the payment, as applicable, of which could reasonably be expected to have a Material adverse Effect.
- (b) Each of the Credit Parties has withheld from each payment to each of their respective officers, directors and employees the amount of all Taxes, including income tax, Canada or Quebec Pension Plan contributions, as applicable, employment insurance premiums and other payments and deductions required to be withheld therefrom, and has paid the same to the proper taxation or other receiving authority in accordance with applicable Law. No Credit Party is subject to any claim by or liability to any of their respective officers, directors or employees for salary (including vacation pay) or benefits which would rank in whole or in part *pari passu* with or prior to the Liens created by the Security Documents.

(26) *Fiscal Year.* The Fiscal Year ends on December 31 of each calendar year, and the Fiscal Quarters end on the last day of each of March, June, September and December of each calendar year.

(27) *Intellectual Property Rights.* Each Credit Party is the registered and beneficial owner of, with good and marketable title, free of all licenses other than Commercial Off-The-Shelf Software licenses, franchises and Liens other than Permitted Liens, to all Intellectual Property used in or necessary for the present and planned future conduct of its business, without any conflict with the rights of any other Person, other than for such conflicts as could not reasonably be expected to have a Material Adverse Effect. No material claim has been asserted and is pending by any Person with respect to the use by any Credit Party of any Intellectual Property or challenging or questioning the validity, enforceability or effectiveness of any Intellectual Property necessary for the conduct of the business of any Credit Party. Except as could not reasonably be expected to have a Material Adverse Effect, (a) each

Credit Party has the exclusive right to use the Intellectual Property which such Credit Party owns, (b) all applications and registrations for such Intellectual Property are in good standing, current and valid, (c) all registrations for such Intellectual Property are enforceable, and (d) the conduct of each Credit Party's business does not infringe or misappropriate the Intellectual Property of any other Person.

(28) *“Know Your Customer” Information.* All materials and information provided to each of the Lenders in connection with applicable “know your customer” and AML Legislation are true and correct

(29) *Anti-Corruption Laws and Sanctions.* Each Group Party has implemented and maintains in effect policies and procedures designed to ensure compliance by such Group Party and its directors, officers, employees and Relevant Agents with Anti-Corruption Laws and Sanctions. Each Group Party and its directors, officers, employees and Relevant Agents is in compliance with Anti-Corruption Laws and Sanctions. No Group Party or any of its directors, officers or employees or Relevant Agents is a Sanctioned Person or is engaged in any activity that would reasonably be expected to result in such Group Party being designated as a Sanctioned Person. No Borrowing or Letter of Credit, use of proceeds or other transaction contemplated by this Agreement will violate Anti-Corruption Laws or Sanctions.

(30) *Security.* The Security Documents are effective to create in favour of the Administrative Agent for its own benefit and the benefit of the other Secured Parties, legal, valid and enforceable Liens on, and security interests in, the Collateral, and (i) when financing statements and filings in applicable land registry offices or other public offices in appropriate form are filed in the jurisdictions specified on Schedule 3.1(30) and (ii) upon the taking of possession or control by the Administrative Agent of the Collateral with respect to which a security interest may be perfected only by possession or control (which possession or control shall be given to the Administrative Agent to the extent possession or control by the Administrative Agent is required by the Security Documents), the Liens created by the Security Documents shall constitute valid perfected first ranking Liens, subject only to Permitted Liens, on all right, title and interest of the grantors thereunder

(31) *Hedge Arrangements.* No Credit Party is a party to any Hedge Arrangement other than as not prohibited by Section 6.1(8).

## ARTICLE 4 CONDITIONS

### 4.1 Effective Date.

The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective unless each of the conditions listed below is satisfied (or waived pursuant to Section 9.2).

(1) *Credit Agreement.* The Administrative Agent, each Lender, and the Issuing Bank shall have received from each party hereto either (a) a counterpart of this Agreement, duly executed on behalf of each party hereto, or (b) written evidence satisfactory to the Administrative Agent (which may include a facsimile or other electronic-transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(2) *Initial Security Documents.* The Administrative Agent shall have received the Initial Security Documents.

(3) *Perfection of Liens.* The Initial Security Documents shall have been registered (or arrangements for registration satisfactory to the Administrative Agent shall have been made) in all offices in which, in the opinion of the Administrative Agent or its counsel, registration is necessary or of advantage to perfect or render opposable to third parties the Liens intended to be created thereby, and the Initial Security Documents and the Liens created thereby shall constitute a first ranking charge over the property to which they attach, subject to no other Liens except Permitted Liens. The Administrative Agent shall have received and be satisfied with the results of all personal property, pending litigation, judgment, bankruptcy, execution and other searches conducted by the Administrative Agent and its counsel with respect to the Credit Parties in all jurisdictions selected by the Administrative Agent and its counsel.

(4) *Legal Opinions.* The Administrative Agent shall have received a favourable written opinion of Farris LLP, British Columbia and Ontario counsel to the Borrower covering such matters relating to the Credit Parties and Village, this Agreement, the other Loan Documents as the Lenders shall reasonably request (together with copies of all factual certificates and legal opinions delivered to such counsel in connection with such opinion upon which counsel has relied). The Administrative Agent shall also have received favourable written opinions of such special and local counsel to the Borrower covering such Canadian legal matters relating to the Credit Parties, the Loan Documents or the Transactions as the Lenders shall reasonably request (together with copies of all factual certificates and legal opinions delivered to such counsel in connection with such opinion upon which such counsel has relied). If a Security Document creates a Lien over the interest of a Credit Party in any freehold real property, the legal opinions to be delivered to the Administrative Agent shall include opinions as to the title of the applicable Credit Parties to such freehold real property and the priority of such Lien (or, in the alternative, the Borrower may deliver to the Administrative Agent a title insurance policy in form and substance satisfactory to the Administrative Agent as to such freehold real property). The Borrower hereby requests each such counsel to deliver such opinions and supporting materials. All opinions and certificates referred to in this Section 4.1(4) shall be addressed to the Administrative Agent and the other Secured Parties and dated the Closing Date.

(5) *Corporate Certificates.* The Administrative Agent shall have received:

- (a) certified copies of the resolutions of the board of directors, general partner, or shareholders, as applicable, of each Credit Party approving, as appropriate, the Loans, this Agreement and the other Loan Documents, and all other documents, if any, to which such Credit Party is a party and evidencing authorization with respect to such documents; and
- (b) a certificate of an officer of each Credit Party, dated as of the Closing Date, and certifying (i) the name, title and true signature of each officer of such Person authorized to execute this Agreement and the other Loan Documents to which it is a party, (ii) the name, title and true signature of each officer of such Person authorized to provide the certifications required pursuant to this Agreement, including certifications required pursuant to Section 5.1(1) and Borrowing Requests, and (iii) that attached thereto is a true and complete copy of the constating documents of each such Person, as amended to date, and a recent certificate of status, certificate of compliance, good standing certificate or analogous certificate.

(6) *Fees.* The Administrative Agent, the Lenders, and the Arranger shall have received all fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced,

reimbursement or payment of all legal fees and other out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder or under any other Loan Document on the Closing Date.

(7) *Insurance.* The Administrative Agent shall have received a certificate of insurance coverage, dated not more than 30 days prior to the Closing Date, evidencing that the Credit Parties are carrying insurance in accordance with Section 5.1(10) hereof.

(8) *No Litigation.* No litigation, order, judgment, injunction or other action or proceeding shall be threatened or pending by any Person or Governmental Authority to enjoin, restrict, or prohibit the completion of the transactions contemplated hereby and by the other Loan Documents (including the delivery of the Security Documents and the granting of the Liens in favour of the Administrative Agent contemplated hereunder) or which may impose any material condition on the completion thereof, or which could reasonably be expected to have a Material Adverse Effect, and the Administrative Agent shall have received an Officer's Certificate confirming same.

(9) *Regulatory Approval; Consents; Waivers.* The Administrative Agent and the Lenders shall be satisfied that:

- (a) all material Authorizations (including all approvals listed in Schedule 3.1(3));
- (b) all corporate, partnership, shareholder and court approvals; and
- (c) all consents and waivers (the failure to obtain which would result in a breach or default under any Material Contract),

required to consummate the Transactions have been obtained and are in full force and effect, in each case without the imposition of any burdensome provision, and that all applicable waiting periods shall have expired without any action being taken or threatened by any Governmental Authority that would materially restrain, prevent or otherwise impose material adverse conditions on the Transactions.

(10) *Delivery of Financial Statements.* The Administrative Agent and the Lenders shall have received:

- (a) the audited Consolidated balance sheet, statement of income and retained earnings and statement of changes in financial position of the Borrower for the Fiscal Year ended December 31, 2024;
- (b) a three-year financial forecast for the Borrower (including forecast Consolidated statements of financial position, income and cash flows) setting forth in reasonable detail the projected Consolidated revenues and expenses of the Borrower for such period together with the anticipated financial covenant levels; and
- (c) internally prepared balance sheet, statement of income and retained earnings and statement of changes in financial position of Rose Lifescience for the Fiscal Years ended December 31<sup>st</sup> 2022, 2023 and 2024.

(11) *Borrowing Base Report.* The Administrative Agent shall have received a *pro forma* Borrowing Base Report.

(12) *Compliance Certificate.* The Administrative Agent shall have received a Compliance Certificate prepared on a *pro forma* basis after giving effect to the Loans to be made on the Closing Date.

(13) *No Material Adverse Change.* The Administrative Agent and the Lenders shall be satisfied that, since December 31, 2024 there has not been a Material Adverse Change.

(14) *Indebtedness.* The Transactions contemplated in this Agreement and the other Loan Documents shall not have caused any event or condition to occur which has resulted, or which will result, in any Material Indebtedness (other than Indebtedness being repaid in connection with the Transactions) becoming due prior to its scheduled maturity or that permits (with or without the giving of notice, the lapse of time, or both) the holder or holders of any such Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity, or which will result in the creation of any Liens under any Indebtedness.

(15) *Material Contracts and Health Canada.* The Administrative Agent shall have received certified copies of, and be satisfied with the terms and conditions of, each of the Material Contracts and the Health Canada License.

(16) *“Know Your Customer” Information.* The Administrative Agent and the Lenders shall have received all documentation and other information required by bank regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including AML Legislation.

(17) *Cancellation of Existing Credit Facilities.* The Credit Parties shall have repaid (or made satisfactory arrangements for the repayment of) all Indebtedness outstanding under their credit facilities (including any commercial paper back-up lines), and such credit facilities (including such commercial paper back-up lines) shall have been cancelled permanently such that no Credit Party shall have any Indebtedness (or commitment therefor) that will survive the Closing Date except Permitted Indebtedness.

(18) *Execution and Delivery of Documents.* Each Credit Party shall have duly authorized, executed and delivered all documents required hereunder, all in form and substance satisfactory to the Administrative Agent. Such documents may be delivered to the Administrative Agent (or its counsel) by way of facsimile or other means of electronic transmission, provided that such number of original copies as may be reasonably requested shall be delivered by or on behalf of the Borrower to the Administrative Agent (or its counsel) within 7 days of the Closing Date.

(19) *Appraisals.* The Administrative Agent shall have received a copy of the most recent appraisal for each greenhouse owned or leased by the Borrower showing an aggregate value of not less than \$56,000,000, subject to approval by the Administrative Agent.

(20) *Other Documentation.* The Administrative Agent and the Lenders shall have received such other documents and instruments as are customary for transactions of this type or as they may reasonably request.

[For the avoidance of doubt, all conditions set out in this Section 4.1 were satisfied as of the Closing Date.](#)

## 4.2 Each Credit Event.

The obligation of each Lender to make a Loan on the occasion of any Borrowing (other than a Borrowing by way of a conversion of an existing Loan to a Canadian Prime Loan), and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit (including, in each case, on the occasion of the initial Borrowings hereunder), is subject to the satisfaction of the following conditions:

- (a) the representations and warranties of the Borrower set out in this Agreement shall be true and correct on and as of the date of each such Borrowing (other than a Borrowing by way of conversion or rollover of an existing Borrowing where the aggregate outstanding Loans will not be increased as a consequence thereof) as if made on such date (except where such representation or warranty is stated to be made as of a particular date);
- (b) at the time of and immediately after giving effect to such Borrowing, no Default shall have occurred and be continuing; **and**
- (c) the Administrative Agent shall have received a Borrowing Request in the manner and within the time period required by Section 2.1(2); and

with respect to any Borrowing Request made under the Delayed Draw Term Credit

- (i) other than with respect to Cdn.\$5,000,000 of Delayed Draw Term Loans to be advanced on the First Amendment Date, the Administrative Agent shall have received a copy of all invoices with respect to D2 Greenhouse Expansion Expenses for which such Borrowing is intended to pay; and
- (ii) the Borrower represents and warrants that, after taking into account any holdbacks for construction liens, the sum of the amount of available cash and the unused portion of the Delayed Draw Term Credit, in aggregate, is sufficient to finance the budgeted D2 Greenhouse Expansion Expenses (whether as set out in the D2 Greenhouse Expansion Budget or subsequently advised to the Administrative Agent as required herein) remaining to complete the D2 Greenhouse Expansion.

Each such Borrowing shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the accuracy of the matters specified in Sections 4.2(a) and (b) and also, with respect to each such Borrowing made under the Delayed Draw Term Credit, Section 4.2(d)(ii).

## ARTICLE 5 AFFIRMATIVE COVENANTS

### 5.1 Covenants.

From (and including) the Closing Date until the Termination Date, the Borrower covenants and agrees with the Lenders as follows:

(1) *Financial Statements and Other Information.* The Borrower shall furnish to the Administrative Agent for distribution to each Lender:

- (a) as soon as available and in any event within 90 days after the end of each Fiscal Year, the audited Consolidated balance sheet and related statements of income, retained earnings and changes in financial position of the Borrower as of the end of and for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all reported on by an independent auditor of recognized national standing (without a “going concern” or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower on a Consolidated basis;
- (b) as soon as available and in any event within 45 days after the end of each of the first three Fiscal Quarters of each Fiscal Year, the unaudited Consolidated balance sheet and related statements of income, retained earnings and changes in financial position of the Borrower as of the end of and for such Fiscal Quarter and the then elapsed portion of the Fiscal Year which includes such Fiscal Quarter, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous Fiscal Year, all certified by a Responsible Officer of the Borrower as presenting fairly in all material respects the financial condition and results of operations of the Borrower on a Consolidated basis, subject to normal year-end audit adjustments;
- (c) as soon as available and in any event within 90 days after the end of each Fiscal Year, unless the same have been publicly filed on the SEDAR system prior to that date, the audited Consolidated balance sheet and related statements of income, retained earnings and changes in financial position of Village as of the end of and for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all reported on by an independent auditor of recognized national standing (without a “going concern” or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of Village on a consolidated basis;
- (d) concurrently with the financial statements required pursuant to Sections 5.1(1)(a) and (b), a Compliance Certificate;
- (e) on or before the 90th day after each Fiscal Year end, an annual budget of the Borrower (consolidating on the basis of principal lines of business of the Borrower), approved by the board of directors of the Borrower, setting forth in reasonable detail the projected consolidated revenues, expenses, income statement, capital expenditures, and cash flow statement of the Borrower for the following Fiscal Year, it being recognized by the Lenders that projections as to future results are not to be viewed as fact and that the actual results for the period or periods covered by such projections may differ from the projected results;
- (f) as soon as available and in any event within 30 days after the end of each calendar month, a Borrowing Base Report dated as of, and reflecting amounts as of, the close of business on the last day of such calendar month, including (i) an aged summary of Receivables of the Borrower and any Subsidiaries including information regarding: country of domicile; intercompany amounts; doubtful accounts; accounts in dispute; contra accounts; holdbacks and any deposits received from each account debtor which

remain outstanding at the reporting date; and (ii) an aged summary of accounts payable of the Borrower and any Subsidiaries;

- (g) promptly after receipt or knowledge thereof a copy of (i) any adverse material document, letter or notice from Health Canada to a Group Party (it being understood that any warning shall be material) or other Governmental Authority, (ii) any adverse material amendment to, adverse material breach of, or expiration or termination of, a Material Contract, (iii) any written notice, investigation, correspondence or other proceedings or actions which could reasonably be expected to adversely and materially affect any Cannabis Authorization, including any such notice, investigation, correspondence or proceedings involving Health Canada, , and (iv) any Material Contract entered into after the Closing Date;
- (h) promptly after the Borrower learns of the receipt or occurrence of any of the following, a certificate of the Borrower, signed by a Responsible Officer of the Borrower, specifying (i) any event which constitutes a Default or Event of Default that is continuing, together with a detailed statement specifying the nature thereof and the steps being taken to cure such Default or Event of Default, (ii) the receipt of any notice from, or the taking of any other action by, the holder of any Indebtedness of any Credit Party in an amount in excess of \$500,000 with respect to an actual or alleged default, together with a detailed statement specifying the notice given or other action taken by such holder and the nature of the claimed default and what action the relevant Credit Party is taking or proposes to take with respect thereto, (iii) any notice of termination or other proceedings or actions which could reasonably be expected to adversely affect any of the Loan Documents, (iv) the creation, dissolution, merger, amalgamation or acquisition of any Credit Party or subsidiary thereof, (v) any event or condition not previously disclosed to the Administrative Agent, which violates any Environmental Laws and which could reasonably be expected to have a Material Adverse Effect, (vi) any material change in accounting or financial reporting practices by the Borrower or any Subsidiary, and (vii) any other event, development or condition which could reasonably be expected to have a Material Adverse Effect;
- (i) promptly after the occurrence thereof, notice of the institution of or any material adverse development in any action, suit or proceeding or any governmental investigation or any arbitration before any court or arbitrator or any Governmental Authority or official against any Credit Party or any material property thereof (including pursuant to any applicable Environmental Laws) which, if adversely determined, could reasonably be expected to have a Material Adverse Effect;
- (j) (i) promptly after the filing thereof with any Governmental Authority, copies of each annual information return, actuarial and other reports (including applicable schedules) and any applications for regulatory approval of asset withdrawals or commuted value transfers with respect to each Pension Plan or any fund maintained in respect thereof, (ii) promptly after becoming aware of any failure to withhold, make, remit or pay any employee or employer payments, contributions (including “normal cost”, “special payments” and any other payments in respect of any funding deficiencies or shortfalls) or premiums to a Pension Plan on a timely basis or the occurrence of or forthcoming occurrence of any event which could reasonably be expected to result in the partial or full termination of any Pension Plan, written notice thereof, together with an explanation of the actions taken or proposed to be taken by any Credit Parties relating thereto, and

- (iii) upon request by the Administrative Agent, copies of any notifications or remittances or similar documents prepared and delivered to the trustee or custodian of any Pension Plan pursuant to section 56.1 of the *Pension Benefits Act* (Ontario) or similar applicable legislation in another jurisdiction;
- (k) concurrently with any delivery of financial statements under Section 5.1(1)(a) or (b), a certificate of a Responsible Officer of the Borrower identifying (i) any material change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 5.1(1)(a) and specifying the effect of such change on the financial statements accompanying such certificate, (ii) the acquisition or formation of any Subsidiary since the end of the previous Fiscal Quarter; (iii) any entry into a Material Contract or any entry into, material amendment to, termination of, or material default under, any collective bargaining agreement, (iv) any Permitted Acquisitions that have been consummated since the end of the previous Fiscal Quarter, including the date on which each such Permitted Acquisition was consummated and the consideration therefor, and (v) any prepayment events set out in Section 2.9 that have occurred since the end of the previous Fiscal Quarter and setting forth a reasonably detailed calculation of the Net Proceeds received therefrom;
- (l) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of any Credit Party, or compliance with the terms of this Agreement or any other Loan Document, as the Administrative Agent may reasonably request;
- (m) concurrently with the delivery of the financial statements under Section 5.1(1)(a) or (b) a supplement to any Schedule hereto, or any representation herein or in any other Loan Document, with respect to any matter hereafter arising that, if existing or occurring at the date of this Agreement, would have been required to be set forth or described in such Schedule or as an exception to such representation or that is necessary to correct any information in such Schedule or representation which has been rendered inaccurate thereby (and, in the case of any supplements to any Schedule, such Schedule shall be appropriately marked to show the changes made therein); provided that (i) no such supplement to any of Schedules 3.1(3), 3.1(5), 3.1(25) shall amend, supplement or otherwise modify such Schedule or corresponding representation, or be or be deemed a waiver of any Default or Event of Default resulting from the matters disclosed therein, except as consented to by the Administrative Agent and the Required Lenders in writing, and (ii) no supplement shall be required or permitted as to representations and warranties that relate solely to the Closing Date.

(2) *Existence; Conduct of Business.* The Borrower shall, and shall cause each other Credit Party and Village to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence (except to the extent permitted by Section 6.1(3)), and except to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect and obtain, preserve, renew and keep in full force and effect any and all rights, licenses, permits, privileges and franchises (other than Cannabis Authorizations) material to the conduct of its business except to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

- (3) *Cannabis Authorizations.* The Borrower shall:

- (a) deliver to the Administrative Agent a copy of each Cannabis Authorization upon the request of the Administrative Agent;
- (b) be and remain the sole legal and beneficial owner of all Cannabis Authorizations;
- (c) maintain as valid and in full force and effect each Cannabis Authorization and, where applicable, procure the renewal thereof prior to its expiration;
- (d) comply in all material respects with the terms and conditions of each Cannabis Authorization and do all material things required of a holder thereof by applicable Cannabis Law;
- (e) with due diligence and in a reasonable manner, enforce the material rights granted to it under and in connection with each Cannabis Authorization;
- (f) not dispose of or abandon any right, title or interest in any Cannabis Authorization;
- (g) apply for and obtain each future Cannabis Authorization on or before such time as it shall be required by applicable Law; and
- (h) timely pay all Taxes, assessments, maintenance fees and other amounts required to be paid to maintain the Cannabis Authorizations

(4) *Payment of Obligations.* The Borrower shall, and shall cause each other Credit Party to, pay its material obligations before they are overdue, including material Tax liabilities, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, and (b) the Borrower or such Credit Party has set aside on its books adequate reserves with respect thereto in accordance with GAAP.

(5) *Books and Records; Inspection Rights.* The Borrower shall, and shall cause each other Credit Party to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Borrower shall, and shall cause each other Credit Party to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested;

(6) *Compliance with Laws.* The Borrower shall, and shall cause each other Credit Party to, comply with all Laws (other than Cannabis Laws) and orders of any Governmental Authority applicable to it or its property or its business and with all of its material contractual obligations, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. The Borrower shall, and shall cause each other Credit Party and its and their respective directors, officers, employees and Relevant Agents to, comply with all Anti-Corruption Laws and Sanctions.

(7) *Compliance with Cannabis Laws.* The Borrower shall, and shall cause each other Group Party and each Investment in a Person who engages in Cannabis Activities, to comply in all material respects with all Cannabis Laws applicable to it, its property and its business (including, without

limitation, the timely procurement of such Cannabis Authorizations as may be required with respect to the D2 Greenhouse Expansion, if any).

(8) *Use of Proceeds and Letters of Credit.* The proceeds of the Term Loans shall be used on the Closing Date solely to repay Indebtedness of the Credit Parties. The proceeds of the Revolving Loans shall be used for working capital and other general corporate purposes of the Borrower. Letters of Credit shall be issued only to support (i) Permitted Indebtedness, and (ii) other obligations of Credit Parties incurred in the ordinary course business. The proceeds of the Delayed Draw Term Loans shall be used solely to finance the D2 Greenhouse Expansion and the fees and expenses directly incurred therewith.

(9) *Further Assurances.*

- (a) The Borrower shall, and shall cause each other Credit Party to, upon request from the Administrative Agent, cure promptly any defects in the execution and delivery of the Loan Documents, including this Agreement. Upon request from the Administrative Agent, the Borrower shall, at its expense, as promptly as practical, execute and deliver to the Administrative Agent, all such other and further documents, agreements and instruments (and cause each other Credit Party to take such action) in compliance with or performance of the covenants and agreements of the Borrower or any other Credit Party in any of the Loan Documents, including this Agreement, or to further evidence and more fully describe the Collateral, or to correct any omissions in any of the Loan Documents, or more fully to state the security obligations set out herein or in any of the Loan Documents, or to perfect, protect or preserve any Liens created pursuant to any of the Loan Documents, or to make any recordings, to file any notices, or obtain any consents, all as may be necessary or appropriate in connection therewith, in the judgment of the Administrative Agent, acting reasonably.
- (b) The Borrower shall, and shall cause each of the other Credit Parties to, perform and satisfy to the satisfaction of the Administrative Agent and its counsel each of the requirements (the “**Post-Closing Requirements**”) listed in Schedule 5.1(8) on or before the date by which such Post-Closing Requirement is to be required to be performed pursuant thereto, subject to any extension referred to below. For greater certainty, the Borrower acknowledges and agrees that the Post-Closing Requirements expressly include the obligation of the Borrower to, and to cause each of the other Credit Parties to, cooperate fully and promptly with the Administrative Agent and its counsel with respect to the completion of each of the Post-Closing Requirements and the provision of all information, documents, matters and things as the Administrative Agent or its counsel, acting reasonably, may deem necessary or advisable (i) to determine what actions must be taken to fulfil each of the Post-Closing Requirements, (ii) to complete and fulfil each of the Post-Closing Requirements, and (iii) to confirm and assess whether all actions necessary to fulfil each of the Post-Closing Requirements have been taken. The Administrative Agent, by instrument in writing and without any consent from any of the Lenders, may, in its sole and absolute discretion, (A) extend any deadline for completion of a Post-Closing Requirement if the Administrative Agent, acting in good faith, believes that the extension will enable the Borrower and the Credit Parties to comply with such Post-Closing Requirement and such extension will not have a material adverse effect upon the Lenders, and (B) may release the Borrower and the Credit Parties from any of the Post-Closing Requirements identified on Schedule 5.1(8) if the Administrative Agent, acting in good faith, believes that the Borrower and the Credit

Parties have used reasonable commercial efforts to satisfy such Post-Closing Requirement but are unable to do so as a result of a lack of any required consent, approval or other agreement from any relevant third party.

(10) *Insurance.*

- (a) The Borrower shall, and shall cause each other Credit Party to, maintain or cause to be maintained, with financially sound and reputable insurers, insurance with respect to their respective properties and business against such liabilities, casualties, risks and contingencies and in such types (including business interruption insurance and flood insurance) and amounts and with deductibles as are customary in the case of Persons engaged in the same or similar businesses and similarly situated and in accordance with any requirement of any Governmental Authority.
- (b) In the case of any fire, accident or other casualty causing loss or damage to any property of any Credit Party used in generating cash flow or required by applicable Law, all proceeds of such policies shall be used to either (i) promptly repair or replace any such property, or (ii) repay Loans in accordance with Section 2.9(2)(a).
- (c) The Borrower shall obtain endorsements to the policies which it is required to maintain pursuant to this Section 5.1(10) pertaining to all physical properties in which the Administrative Agent shall have a Lien under the Loan Documents, naming the Administrative Agent as an additional insured (with respect to liability insurance only) and a loss payee and containing (i) if generally available from the insurer, provisions that such policies will not be cancelled without 30 days prior written notice having been given by the insurance company to the Administrative Agent, and (ii) a standard non contributory “mortgagee”, “lender” or “secured party” clause. The Borrower will furnish the Lender with insurance broker certificates for the insurance maintained by or on behalf of the Credit Parties on the Closing Date and thereafter promptly following request from the Administrative Agent from time to time. In addition, promptly following request from the Administrative Agent from time to time, the Borrower shall furnish the Administrative Agent with true copies of the policies for such insurance.
- (d) In the event the Borrower fails to provide the Administrative Agent with timely evidence, acceptable to the Administrative Agent, of the maintenance of insurance coverage required pursuant to this Section 5.1(10), or in the event that any Credit Party fails to maintain such insurance, the Administrative Agent may purchase or otherwise arrange for such insurance, but at the Borrower’s expense and without any responsibility on the Administrative Agent’s part for: (i) obtaining the insurance; (ii) the solvency of the insurance companies; (iii) the adequacy of the coverage; or (iv) the collection of claims. The insurance acquired by the Administrative Agent may, but need not, protect any Credit Party’s interest in the Collateral, and therefore such insurance may not pay claims which a Credit Party may have with respect to the Collateral or pay any claim which may be made against a Credit Party in connection with the Collateral. In the event the Administrative Agent purchases, obtains or acquires insurance covering all or any portion of the Collateral, the Borrower shall be responsible for all of the applicable costs of such insurance, including premiums, interest (at the applicable interest rate for Revolving Loans set forth in Section 2.5), fees and any other charges with respect thereto, until the effective date of the cancellation or the expiration of such insurance. The Administrative Agent may charge all of such premiums, fees, costs, interest and

other charges to the Borrower's Revolving Loan account. The Borrower hereby acknowledges that the costs of the premiums of any insurance acquired by the Administrative Agent may exceed the costs of insurance which the Borrower may be able to purchase on its own. In the event that the Administrative Agent purchases such insurance, the Administrative Agent shall promptly, and in any event within 15 days, notify the Borrower of said purchase.

- (e) Upon the occurrence and continuance of an Event of Default (and without limiting any other rights of the Administrative Agent or the Lenders hereunder or under any other Loan Document), (i) the Administrative Agent shall, subject to the rights of any holders of Permitted Liens holding claims senior to the Administrative Agent, have the sole right, in the name of the Administrative Agent or any applicable Credit Party, to file claims under any insurance policies, to receive, receipt and give acquittance for any payments that may be payable thereunder, and to execute any and all endorsements, receipts, releases, assignments, reassignments or other documents that may be necessary to effect the collection, compromise or settlement of any claims under any such insurance policies, and (ii) all insurance proceeds in respect of any Collateral shall be paid to the Administrative Agent. In such event, the Administrative Agent shall apply such insurance proceeds to the obligations of the Borrower in accordance with Section 2.9(2)(a).

(11) *Operation and Maintenance of Property.* The Borrower shall, and shall cause each other Credit Party to, manage and operate its business or cause its business to be managed and operated (a) in accordance with prudent industry practice in all material respects and in compliance in all material respects with the terms and provisions of all applicable licenses, leases, contracts and agreements, and (b) in compliance with all applicable Laws of the jurisdiction in which such businesses are carried on, and all applicable Laws of every other Governmental Authority from time to time constituted to regulate the ownership, management and operation of such businesses, except where a failure to so manage and operate would not have a Material Adverse Effect. The Borrower shall, and shall cause each other Credit Party to, keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(12) *Security Package.*

- (a) *Credit Party Guarantee.* The Borrower shall cause Village and each present and future Subsidiary to enter into, or accede to, the Credit Party Guarantee, such that such Person guarantees in favour of the Administrative Agent, for the benefit of the Secured Parties, all Secured Liabilities of the Borrower. Such obligation of a Person to accede to the Credit Party Guarantee shall arise as soon as reasonably practicable after such Person becomes a Subsidiary.
- (b) *Liens.* The Borrower shall, and shall cause each present and future Credit Party to, provide at all times in favour of the Administrative Agent, for the benefit of the Secured Parties, a first-priority Lien (subject only to Permitted Liens) over all present and future personal property (other than Excluded Property) and real property of such Credit Party as security for its Secured Liabilities, together with such supporting materials as may be required to ensure the perfection or priority of such Lien. The obligation of a Credit Party to provide any such Lien shall arise as soon as is reasonably practicable following

such Person (i) becoming a Credit Party, or (ii) acquiring assets, property or undertaking (other than Excluded Property) that are not already subject to a Lien

- (c) *Supporting Materials.* In connection with the execution and delivery of any Security Document pursuant to this Section 5.1(12), the Borrower shall, or shall cause the relevant other Credit Party to deliver to the Administrative Agent such corporate resolutions, certificates, legal opinions, title insurance and such other related documents as shall be reasonably requested by the Administrative Agent (including a consent from any minority shareholder) and consistent with the relevant forms and types thereof delivered on the Closing Date or as shall be otherwise reasonably acceptable to the Administrative Agent
- (d) Rose Lifescience. If:
- (i) Rose LifeScience becomes a direct Wholly-Owned Subsidiary of Village prior to December 31, 2025;
  - (ii) at such time Rose LifeScience has positive Subject EBITDA for the most recent twelve-month period; and
  - (iii) Rose LifeScience accedes to the Credit Party Guarantee and the GSA, such that it becomes a Credit Party,

then, at the written request of the Borrower, the Administrative Agent and the Lenders agree to amend this Agreement to provide for:

- (iv) Rose Lifescience becoming a Guarantor (and Credit Party) hereunder;
- (v) all financial covenants hereunder being determined on a Combined basis;
- (vi) all financial reporting hereunder being made on both a Combined and consolidated basis; and
- (vii) all corresponding changes as may be reasonably necessary.

For the avoidance of doubt, nothing herein shall require the Borrower to cause Rose Lifesciences to accede to the Credit Party Guarantee and the GSA or make such amendment request.

- (13) *Financial Covenants.* The Borrower shall:
- (a) *Fixed Charge Coverage Ratio.* Maintain a Fixed Charge Coverage Ratio of more than 1.10:1.00 at all times.
  - (b) *Leverage Ratio.* Maintain a Leverage Ratio of not more than 3.00:1:00 at all times.

(14) *Registrations.* The Borrower shall record, file or register, at its own expense, applications for registration or financing statements (and continuation or financing change statements when applicable), and make any other registrations or filings, including where required, the registration of each of the Security Documents (collectively, “**Registrations**”) with respect to the Collateral now existing and hereafter created or arising and the creation of Liens therein under and as contemplated by

the Security Documents, meeting the requirements of applicable Law, in such manner and in such jurisdictions as are necessary or desirable to protect, perfect and maintain the protection and perfection of, such Liens, and to deliver a file stamped copy of each such Registration or other evidence of such Registration to the Administrative Agent on or prior to the Closing Date. If any Credit Party (a) makes any change in its name, jurisdiction or organization or corporate structure, (b) changes its place of domicile, registered head office or chief executive office, or (c) takes any other action, which in any such case would, under the applicable Law, require the amendment of any Registration recorded, registered and filed in accordance with the provisions hereof, the Borrower shall within 10 days after a change referred to in Section 5.1(14)(a) or prior to the taking of any action referred to in Section 5.1(14)(b) or (c), give the Administrative Agent notice of any such change or other action and shall promptly file such Registrations as may be necessary or desirable to continue the perfection of the Liens in the Collateral intended under the Security Documents. The Administrative Agent shall be under no obligation whatsoever to record, file or register any Registration, or to make any other recording, filing or registration in connection herewith.

## ARTICLE 6 NEGATIVE COVENANTS

### 6.1 Negative Covenants.

From (and including) the Closing Date until the Termination Date, the Borrower covenants and agrees with the Lenders as follows:

(1) *Indebtedness.* The Borrower shall not, and shall not permit any other Credit Party to, create, incur, assume or permit to exist any Indebtedness other than Permitted Indebtedness.

(2) *Liens.* The Borrower shall not, and shall not permit any other Credit Party to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by the Borrower or any other Credit Party except Permitted Liens.

(3) *Corporate Changes.* The Borrower shall not, and shall not permit any other Credit Party to, merge into or amalgamate or consolidate with any other Person, or permit any other Person to merge into or amalgamate or consolidate with it, or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default or Event of Default shall have occurred and be continuing:

- (a) any Credit Party may merge into, amalgamate or consolidate with any other Credit Party;
- (b) any Guarantor may liquidate, wind-up or dissolve if it is a Wholly-Owned Subsidiary of another Credit Party and all of its property passes to such Credit Party;

provided that, immediately following any transaction pursuant to Section 6.1(3)(a), the merged, amalgamated or continuing corporation shall provide written confirmation satisfactory to the Administrative Agent, acting reasonably, that it is liable for the obligations of the relevant Credit Party under the Loan Documents.

(4) *Permitted Business.* The Borrower shall not, and shall not permit any other Group Party to, engage in any Cannabis Activities or make an Investment in any Person who engages in Cannabis Activities, other than in an Approved Cannabis Jurisdiction in accordance with applicable Cannabis

Laws. The Borrower shall not, and shall not permit any other Group Party to, own assets or carry on business in any jurisdiction which is not an Approved Cannabis Jurisdiction.

(5) *Asset Dispositions.* The Borrower shall not, and shall not permit any other Credit Party to, make any Asset Disposition except for Fair Market Value and when no Default or Event of Default has occurred and is existing and where the Net Proceeds therefrom are dealt with in accordance with Section 2.9(2)(a).

(6) *Investments.* The Borrower shall not, and shall not permit any other Credit Party to, make or permit to exist any Investment other than Permitted Investments; provided that no new Investments (other than Investments in Cash Equivalents) shall be made at any time that a Default or Event of Default exists. The Borrower shall not, and shall not permit any other Credit Party to, make or permit to exist any Investment in a Person that conducts Cannabis Activities other than in an Approved Cannabis Jurisdiction in accordance with applicable Cannabis Laws.

(7) *Acquisitions.* The Borrower shall not, and shall not permit any other Credit Party to, make or enter into any Acquisition other than, when no Default or Event of Default exists or would be caused thereby, Permitted Acquisitions.

(8) *Hedge Arrangements.* The Borrower shall not, and shall not permit any other Credit Party to, enter into any Hedge Arrangement, except:

- (a) Hedge Arrangements entered into in order to hedge or mitigate risks to which any Credit Party has actual exposure (other than those in respect of Equity Securities); or
- (b) Hedge Arrangements entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of any Credit Party.

(9) *Restricted Payments.* The Borrower shall not, and shall not permit any other Credit Party to, declare, pay or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except that, so long as no Default or Event of Default is continuing or would be caused thereby:

- (a) a Credit Party may make a Restricted Payment to another Credit Party;
- (b) the Borrower may make a Restricted Payment solely by way of, or funded entirely by the issuance of, its own Equity Securities; and
- (c) the Borrower may make any other Restricted Payment if (i) following such Restricted Payment the Leverage Ratio would be no greater than 1.50: 1.00, and (ii) a Responsible Officer has provided a certificate to the Administrative Agent confirming that the conditions for such payment have been met.

(10) *Transactions with Affiliates.* The Borrower shall not, and shall not permit any other Credit Party to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of their Affiliates, except:

- (a) in the ordinary course of business at prices and on terms and conditions not less favourable to the Borrower or such other Credit Party than could be obtained on an arm's-length basis from unrelated third parties;
- (b) transactions between or among Credit Parties not involving any of their other Affiliates; and
- (c) any Indebtedness, Investment, Acquisition or Restricted Payment permitted hereunder.

(11) *Restrictive Agreements.* The Borrower shall not, and shall not permit any other Credit Party to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon:

- (a) the ability of any Credit Party to create, incur or permit to exist any Lien upon any of its property or assets other than the Permitted Liens;
- (b) the ability of any Credit Party to pay dividends or other distributions with respect to any Equity Securities or with respect to, or measured by, its profits or to repay loans or advances to any other Credit Party or to provide a Guarantee of any Indebtedness of any other Credit Party;
- (c) the ability of any Credit Party to make any loan or advance to any other Credit Party; or
- (d) the ability of any Credit Party to sell, lease or transfer any of its property to any other Credit Party;

provided that (i) Section 6.1(11) (a)-(d) shall not apply to restrictions and conditions imposed by Law or by any Loan Document, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.1(11) (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and condition apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) Section 6.1(11)(a) shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness, (v) Section 6.1(11)(a) shall not apply to customary provisions in leases and other ordinary course contracts restricting the assignment thereof, and (vi) the foregoing shall not apply to normal course restrictions contained in standard form documents with respect to Bonding Obligations.

(12) *Sales and Leasebacks.* The Borrower shall not, and shall not enter into, or permit any other Credit Party to, enter into any arrangement, directly or indirectly, with any Person whereby the Borrower or any such other Credit Party shall sell or transfer any property, whether now owned or hereafter acquired, and whereby the Borrower or any such other Credit Party shall then or thereafter rent or lease as lessee such property or any part thereof or other property which the Borrower or any such other Credit Party intends to use for substantially the same purpose or purposes as the property sold or transferred.

(13) *Pension Plan Compliance.* The Borrower shall not, and shall not permit any other Credit Party to, (a) terminate or wind-up or take any other action with respect to any Pension Plan which could reasonably be expected to result in any liability of any Credit Party, (b) fail to make full payment when

due of all amounts which, under the terms of any Pension Plan or applicable Law, the Credit Party is required to pay as contributions or premiums thereto, (c) establish, sponsor, administer, contribute to, participate in, or assume any liability (including any contingent liability) under any Defined Benefit Plan other than the Defined Benefit Plans listed on Schedule 3.1(17), or (d) acquire an interest in any Person if such Person sponsors, maintains or contributes to any Defined Benefit Plan.

(14) *Sale or Discount of Receivables.* The Borrower shall not, and shall not permit any other Credit Party to, discount or sell (with or without recourse), any of its income or revenues, including any Receivables, or rights in respect thereof.

(15) *Unconditional Purchase Obligations.* The Borrower shall not, and shall not permit any other Credit Party to, enter into or be a party to, any material contract for the purchase of materials, supplies or other property or services if such contract requires that payment be made by the Borrower or any such other Credit Party regardless of whether or not delivery of such materials, supplies or other property or services is ever made, except any such contract for the purchase of electrical power entered into by the Borrower or any such other Credit Party in the ordinary course of its business.

(16) *Issuance of Shares.* The Borrower shall not, and shall not permit any other Credit Party to, authorize or issue:

- (a) any Equity Securities of a Credit Party to any Person other than another Credit Party;
- (b) or allow to exist, any options, warrants or other rights to purchase any Equity Securities of a Credit Party, to or in favour of any Person other than another Credit Party; or
- (c) any preferred shares or other Equity Securities having a mandatory redemption right existing with regard thereto which could become operative on or before the Termination Date.

The Borrower shall not, and shall not permit any other Credit Party to, own, hold or control Equity Securities of any Subsidiary unless it is a Wholly-Owned Subsidiary of one or more Credit Parties. There are no outstanding options, warrants or other rights to purchase, or other agreements outstanding with respect to, or property that is now or hereafter convertible into, or that requires the issuance or sale of, any Equity Securities of any Credit Party.

(17) *No Amendments to Constatting Documents, etc.* The Borrower shall not, and shall not permit any other Credit Party to, amend, its constating documents, by-laws, partnership agreement or operating agreement, as applicable, in a manner that would adversely affect the Administrative Agent or the Lenders or such Credit Party's duty or ability to repay the Secured Liabilities.

(18) *No Amendments to Material Contracts.* The Borrower shall not, and shall not permit any other Credit Party to amend, modify, allow to expire, fail to exercise any renewal right or terminate (or waive any provision of, provide any consent under, or allow for the termination of) any Material Contract in a manner which may reasonably be expected to have a Material Adverse Effect. For the avoidance of doubt, any increase in the amount payable under or in connection with the D2 Lease shall be prohibited by this Section 3.1(18).

(19) *Use of Proceeds.* The Borrower will not request any Borrowing or Letter of Credit, and the Borrower shall not use, and shall procure that each other Credit Party and its and their respective

directors, officers, employees and Relevant Agents shall not use, the proceeds of any Borrowing or Letter of Credit:

- (a) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws;
- (b) for the purpose of funding, financing or facilitating any prohibited activities, business or transaction of or with any Sanctioned Person; or
- (c) in any other manner that would result in the violation of any Sanctions.

(20) *Bankruptcy Proceedings.* The Borrower shall ensure that, following the occurrence of an Event of Default under either of Sections 7.1(h) or (i), no Credit Party shall (i) oppose any steps taken by the Administrative Agent or the Lenders to initiate any liquidation, winding-up, reorganization (in each case, other than as specifically permitted hereunder), arrangement, adjustment, protection, relief or composition of such Credit Party or such Credit Party's debts under any applicable Law relating to bankruptcy, insolvency, reorganization, incorporation law or relief of debtors including any plan of compromise or arrangement or other similar corporate proceeding involving or affecting its creditors, or (ii) oppose any motion brought by the Administrative Agent or the Lenders to lift any stay of proceedings for that purpose.

(21) *D2 Greenhouse Expansion.* The Borrower shall ensure that no Cannabis cultivation or other Cannabis Activities occur on the property subject to the D2 Greenhouse Expansion unless and until any required Cannabis Authorization(s) are in effect.

## ARTICLE 7 EVENTS OF DEFAULT

### 7.1 Events of Default.

If any of the following events (“**Events of Default**”) shall occur:

- (a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;
- (b) any Credit Party shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in Section 7.1(a)) payable under any Loan Document, when and as the same shall become due and payable;
- (c) any representation or warranty made or deemed made by any Credit Party or Village in or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, shall prove to have been incorrect when made or deemed to be made;
- (d) any Credit Party or Village shall fail to observe or perform any covenant, condition or agreement contained in Section 5.1(1)(i) (notice of certain events), Section 5.1(1)(g)

(notice of Default or Event of Default), Section 5.1(2) (Existence; Conduct of Business), Section 5.1(3) (Cannabis Authorizations), Section 5.1(7) (Use of Proceeds and Letters of Credit), Section 5.1(7) (Compliance with Cannabis Laws), Section 5.1(13) (Financial Covenants) or in Article 6 (or in any comparable provision of any other Loan Document);

- (e) any Credit Party or Village shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in Section 7.1(a), (b) or (d)) or any other Loan Document, and such failure shall continue unremedied for a period of 30 days after the earlier of (i) knowledge thereof by any Credit Party, or (ii) notice thereof from the Administrative Agent to the Borrower (which notice shall be given at the request of any Lender);
- (f) any Credit Party or Village shall fail to make any payment of any Material Indebtedness when and as the same shall become due and payable;
- (g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that this Section 7.1(g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness so long as the proceeds of such sale or transfer are sufficient to, and are applied to, reduce such secured Indebtedness to nil;
- (h) any Credit Party or Village:
  - (i) admits in writing that it is insolvent or unable to pay its liabilities as they generally become due;
  - (ii) commits an act of bankruptcy under the BIA, files a voluntary assignment in bankruptcy under the BIA, makes a proposal (or files a notice of its intention to do so) under the BIA or seeks any other relieve in respect of itself under the BIA;
  - (iii) institutes any proceedings seeking relief in respect of itself under the CCAA;
  - (iv) institutes any proceeding seeking relief in respect of itself under the WURA
  - (v) in addition to the forgoing, institutes any other proceeding seeking: (a) to adjudicate itself an insolvent person or a bankrupt; (b) to liquidate, dissolve or wind-up its business or assets, other than a solvent winding-up of a Guarantor into another Credit Party, (c) to compromise, arrange, adjust or declare a moratorium in respect of the payment of, its debts; (d) to stay the rights of creditors generally (or any class of creditors); (e) any other relief in respect of itself under any federal, provincial or foreign applicable Law now or hereafter in effect relating to bankruptcy, winding-up, other than a solvent winding-up of a Guarantor into another Credit Party, insolvency, receivership, restructuring of business, assets or debt, reorganization of business, other than a reorganization

or arrangement which does not relate to or involve the compromise, settlement, adjustment or arrangement of debt, assets or debt or protection of debtors from their creditors (such applicable Law includes any applicable corporations legislation to the extent the relief sought under such corporations legislation relates to or involves the compromise, settlement, adjustment or arrangement of debt); or (f) any other relief which provides for plans or schemes of reorganization, plans or schemes of arrangement, other than a reorganization or arrangement which does not relate to or involve the compromise, settlement, adjustment or arrangement of debt, or plans or schemes of compromise, in respect of itself, to be submitted or presented to creditors (or any class of creditors);

- (vi) applies for the appointment of, or has a receiver (either court or privately appointed), interim receiver, receiver/manager (either court or privately appointed), sequestrator, monitor, conservator, custodian, administrator, trustee, liquidator or other similar official appointed in respect of it, or any substantial part of its property; or
  - (vii) threatens to do any of the foregoing, or takes any action, corporate or otherwise, to approve, effect, consent to or authorize any of the actions described in this Section 7.1(h);
- (i) any petition is filed, application made or other proceeding instituted against or in respect of any Credit Party or Village:
- (i) seeking to adjudicate it an insolvent person;
  - (ii) seeking a bankruptcy order against it under the BIA;
  - (iii) seeking to institute proceedings against it under the CCAA;
  - (iv) seeking to institute proceedings against it under the WURA;
  - (v) seeking, in addition to the foregoing: (a) to adjudicate it an insolvent person or a bankrupt; (b) to liquidate, dissolve or wind-up its business or assets; (c) to compromise, arrange, adjust or declare a moratorium in respect of the payment of, its debts; (d) to stay the rights of creditors generally (or any class of creditors); (e) any other relief in respect of it under any federal, provincial or foreign applicable Law now or hereafter in effect relating to bankruptcy, winding-up, other than a solvent winding-up of a Guarantor into another Credit Party, insolvency, receivership, restructuring of business, assets or debt, reorganization of business, other than a reorganization or arrangement which does not relate to or involve the compromise, settlement, adjustment or arrangement of debt, assets or debt, or protection of debtors from their creditors (such applicable Law includes any applicable corporations legislation to the extent the relief sought under such corporations legislation relates to or involves the compromise, settlement, adjustment or arrangement of debt); or (f) any other relief which provides plans or schemes of reorganization, plans or schemes of arrangement, other than a reorganization or arrangement which does not relate to or involve the compromise, settlement, adjustment or arrangement of debt, or

plans or schemes of compromise in respect of it, to be submitted or presented to creditors (or any class of creditors); or

- (vi) seeking the issuance of an order for the appointment of a receiver, interim receiver, receiver/manager, sequestrator, monitor, conservator, custodian, administrator, trustee, liquidator or other similar official in respect of it or any substantial part of its property,

and such petition, application or proceeding continues undismissed, or unstayed and in effect, for a period of 30 days after the institution thereof, provided that: (a) if the Credit Party fails to contest such petition, application or proceeding the 30 day grace period shall cease to apply; (b) if an order, decree or judgment is issued (whether or not entered or subject to appeal) against the Credit Party thereunder within the 30 day period, such grace period will cease to apply, and (c) if the Credit Party files an answer or other responding materials admitting the material allegations of a petition, application or other proceeding filed against it, such grace period will cease to apply;

- (j) any other event occurs which, under the Laws of any applicable jurisdiction, has an effect upon a Credit Party or Village equivalent to any of the events referred to in either of Sections 7.1(h) or (i);
- (k) one or more judgments for the payment of money in a cumulative amount in excess of \$500,000 in the aggregate is rendered against any one or more of the Credit Parties or Village and they have not (i) provided for its satisfaction in accordance with its terms within 30 days from the date of entry thereof, or (ii) procured a stay of execution thereof within 30 days from the date of entry thereof and within such period, or such longer period during which execution of such judgment has not been stayed, appealed such judgment and caused the execution thereof to be stayed during such appeal, provided that if enforcement or realization proceedings are lawfully commenced in respect thereof in the interim, such grace period shall cease to apply;
- (l) any property of any Credit Party or Village having a Fair Market Value in excess of \$500,000 in the aggregate is seized (including by way of execution, attachment, garnishment, levy or distraint), or any Lien thereon securing Indebtedness in excess of \$500,000 is enforced, or such property has become subject to any charging order or equitable execution of a Governmental Authority, or any writ of execution or distress warrant exists in respect of any Credit Party or the property of any of them, or any sheriff or other Person becomes lawfully entitled by operation of law or otherwise to seize or distraint upon such property and in any case such seizure, enforcement, execution, attachment, garnishment, distraint, charging order or equitable execution, or other seizure or right, continues in effect and is not released or discharged for more than 10 days or such longer period during which entitlement to the use of such property continues by such Credit Party, and such Credit Party is contesting the same in good faith and by appropriate proceedings, provided that if the property is removed from the use of such Credit Party, or is sold, in the interim, such grace period shall cease to apply;
- (m) one or more final judgments, not involving the payment of money and not otherwise specified in this Section 7.1(m), has been rendered against any Credit Party or Village, the result of which could reasonably be expected to result in a Material Adverse Effect, so long as such Credit Party or Village, as applicable, has not (i) provided for its

satisfaction in accordance with its terms within 30 days from the date of entry thereof, or  
(ii) procured a stay of execution thereof within 30 days from the date of entry thereof and within such period, or such longer period during which execution of such judgment has been stayed, appealed such judgment and caused the execution thereof to be stayed during such appeal, provided that if enforcement or realization proceedings are lawfully commenced in respect thereof in the interim, such grace period shall cease to apply;

- (n) this Agreement, any other Loan Document or any material obligation or other material provision hereof or thereof at any time for any reason terminates or ceases to be in full force and effect and a legally valid, binding and enforceable obligation of any Credit Party or Village (as applicable), is declared to be void or voidable or is repudiated, or the validity, binding effect, legality or enforceability hereof or thereof is at any time contested by any Credit Party or Village, or any Credit Party or Village denies that it has any or any further liability or obligation hereunder or thereunder or any action or proceeding is commenced to enjoin or restrain the performance or observance by any Credit Party or Village of any material terms hereof or thereof or to question the validity or enforceability hereof or thereof, or at any time it is unlawful or impossible for any Credit Party or Village to perform any of its material obligations hereunder or thereunder;
- (o) any Lien purported to be created by any Security Document shall cease to be, or shall be asserted by any Credit Party not to be, a valid, perfected, first priority (except as otherwise expressly provided in this Agreement or such Security Document) Lien in Collateral with a Fair Market Value or book value (whichever is greater) in excess, individually or in the aggregate, of \$500,000;
- (p) a Material Adverse Change shall occur;
- (q) a Change of Control shall occur;
- (r) the occurrence of an “Event of Default”, “Termination Event” or any other event specified in a Secured Hedge Arrangement that entitles the Secured Hedge Counterparty thereto to cause its early termination in accordance with the terms thereof;
- (s) the Cannabis Act is repealed and is not immediately replaced with substantially similar legislation; ~~or~~
- (t) any Cannabis Authorization shall (i) expire or be revoked, terminated or cancelled, and in any such case not immediately replaced, renewed or reinstated on comparable terms or (ii) be modified in any materially adverse fashion; ~~or~~;
- (u) Village shall fail to deliver to the Administrative Agent the Post-Closing Requirements listed in Schedule 5.8 (Post-Closing Requirements) hereto, on or before the date by which each such Post-Closing Requirement is to be performed; ~~;~~ or

then,

- (A) and in every such event other than those described in (B), and at any time thereafter during the continuance of such event or any other such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take

either or both of the following actions, at the same or different times: (x) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (y) declare the Loans outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable (together with accrued interest thereon), the LC Prepayment with respect to all outstanding Letters of Credit, and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind except as set out earlier in this paragraph, all of which are hereby waived by the Borrower, and

- (B) in the case of any event with respect to the Borrower described in Section 7.1(h), (i), (j) or (u) then the Commitments shall automatically terminate and the principal of the Loans then outstanding (together with accrued interest thereon), the LC Prepayment with respect to all outstanding Letters of Credit, and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

## **7.2 Rebalancing.**

During the occurrence of an Event of Default the Administrative Agent shall make all usual and customary adjustments as may be required to ensure that each Lender holds its Applicable Percentage of Loans under each Credit, and each Lender agrees to take all actions as are necessary to give effect to such adjustments, including, without limitation, advancing amounts to the Administrative Agent for distribution to other Lenders.

## **7.3 Application of Payments.**

Notwithstanding anything herein to the contrary, following the occurrence and during the continuance of an Event of Default, and notice thereof to the Administrative Agent by the Borrower or the Required Lenders, all payments received on account of the Secured Liabilities shall, subject to Section 2.21, be applied by the Administrative Agent as follows:

- (a) first, to payment of that portion of the Secured Liabilities constituting fees, indemnities, expenses and other amounts payable to the Administrative Agent (including fees and disbursements and other charges of counsel to the Administrative Agent payable under Section 9.3 and amounts pursuant to Section 2.10 payable to the Administrative Agent in its capacity as such);
- (b) second, to payment of that portion of the Secured Liabilities constituting fees, expenses, indemnities and other amounts (other than principal, reimbursement obligations in respect of LC Disbursements, interest and Letter of Credit fees) payable to the Lenders and the Issuing Banks (including fees and disbursements and other charges of counsel to the Lenders and the Issuing Banks payable under Section 9.3) arising under the Loan Documents, ratably among them in proportion to the respective amounts described in this clause (b) payable to them;
- (c) third, to payment of that portion of the Secured Liabilities constituting accrued and unpaid Letter of Credit fees and charges and interest on the Loans and unreimbursed LC

Disbursements, ratably among the Lenders and the Issuing Banks in proportion to the respective amounts described in this clause (c) payable to them;

- (d) fourth, (A) to payment of that portion of the Secured Liabilities constituting unpaid principal of the Loans and unreimbursed LC Disbursements and (B) to cash collateralize that portion of Total LC Exposure comprising the undrawn amount of Letters of Credit to the extent not otherwise cash collateralized by the Borrower pursuant to Section 2.19 or 2.21, ratably among the Lenders and the Issuing Banks in proportion to the respective amounts described in this clause (d) payable to them; provided that (x) any such amounts applied pursuant to subclause (B) above shall be paid to the Administrative Agent for the ratable account of the applicable Issuing Banks to cash collateralize Reimbursement Obligations in respect of Letters of Credit, (y) subject to Section 2.19 or 2.21, amounts used to cash collateralize the aggregate amount of Letters of Credit pursuant to this clause (d) shall be used to satisfy drawings under such Letters of Credit as they occur and (z) upon the expiration of any Letter of Credit (without any pending drawings), the pro rata share of cash collateral shall be distributed to the other Reimbursement Obligations, if any, in the order set forth in this Section 7.3;
- (e) fifth, to the payment in full of all other Secured Liabilities, in each case ratably among the Administrative Agent, the Lenders and the Issuing Banks based upon the respective aggregate amounts of all such Secured Liabilities owing to them in accordance with the respective amounts thereof then due and payable; and
- (f) finally, the balance, if any, after all Secured Liabilities have been indefeasibly paid in full, to the Borrower or as otherwise required by law.

If any amount remains on deposit as cash collateral after all Letters of Credit have either been fully drawn or expired (without any pending drawings), such remaining amount shall be applied to the other Secured Liabilities, if any, in the order set forth above.

## ARTICLE 8 THE ADMINISTRATIVE AGENT

### 8.1 Appointment of Administrative Agent.

Each Lender hereby designates Canadian Imperial Bank of Commerce as Administrative Agent to act as herein specified and as specified in the other Loan Documents. Each Lender hereby irrevocably authorizes the Administrative Agent to take such action on its behalf under the provisions of the Loan Documents and to exercise such powers and to perform such duties thereunder as are specifically delegated to or required of the Administrative Agent by the terms thereof and such other powers as are reasonably incidental thereto. The Administrative Agent may perform any of its duties hereunder by or through its agents or employees. Each Secured Party hereby (a) irrevocably authorizes and directs the Administrative Agent to execute and deliver each Intercreditor Agreement on behalf of such Secured Party, and (b) agrees that each Intercreditor Agreement shall be a binding obligation of such Secured Party, enforceable against it in accordance with its terms. The provisions of this Article 8 are solely for the benefit of the Administrative Agent and the Lenders (including the Swingline Lender and the Issuing Bank), and neither the Borrower nor any other Credit Party shall have rights as a third party beneficiary of any of such provisions. It is understood and agreed that the use of the term “agent” as used herein or in any other Loan Document (or any similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine

of any applicable Law. Instead, such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

## **8.2 Secured Parties.**

- (a) The Security Documents shall be in favour of the Administrative Agent for the benefit of the Secured Parties.
- (b) The Secured Hedge Obligations shall be secured by the Liens granted under the Security Documents and rank *pari passu* with the obligations of the Borrower under this Agreement;
- (c) The Secured Cash Management Obligations shall be secured by the Liens granted under the Security Documents and rank *pari passu* with the obligations of the Borrower under this Agreement;
- (d) Notwithstanding such common security and prior to the Lender Termination Date, all decisions regarding the administration, forbearance and enforcement of the Security Documents shall be made by the Administrative Agent and the Lenders alone, and no Secured Hedge Counterparty or Secured Cash Management Provider shall have any voting rights under this Agreement or any other right whatsoever to participate in the administration or enforcement of the Security Documents. For the avoidance of doubt but without limitation, prior to the Lender Termination Date any or all of the Security Documents or any rights contained therein may be amended or released by the Administrative Agent without the consent of any Secured Hedge Counterparty or Secured Cash Management Provider, in those capacities.
- (e) Each Lender that is or becomes a Secured Hedge Counterparty or Secured Cash Management Provider shall be bound as such by virtue of its execution and delivery of this Agreement or an Assignment and Assumption, as applicable, notwithstanding that such capacity as Secured Hedge Counterparty or Secured Cash Management Provider may not be identified on its signature line. Each Lender shall cause its Related Non-Party Beneficiaries to comply with the terms and conditions of the Loan Documents applicable to them and pay and perform their debts, liabilities and obligations thereunder.

## **8.3 Limitation of Duties of Administrative Agent.**

The Administrative Agent shall have no duties or responsibilities except those expressly set out with respect to the Administrative Agent in this Agreement and as specified in the other Loan Documents. None of the Administrative Agent, nor any of its Related Parties shall be liable for any action taken or omitted by it as such hereunder or in connection herewith, unless caused by its or their gross negligence or willful misconduct. The duties of the Administrative Agent shall be mechanical and administrative in nature; the Administrative Agent shall not have, by reason of this Agreement or the other Loan Documents, a fiduciary relationship in respect of any Secured Party. Nothing in this Agreement or the other Loan Documents, expressed or implied, is intended to or shall be so construed as to impose upon the Administrative Agent any obligations in respect of this Agreement except as expressly set out herein. The Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to this Agreement or the other Loan Documents unless it is requested in writing to do so by the Required Lenders.

#### **8.4 Lack of Reliance on the Administrative Agent.**

(1) *Independent Investigation.* Each Lender acknowledges and agrees that the extensions of credit made hereunder are commercial loans and letters of credit and not investments in a business enterprise or securities. Each Lender further represents that it is engaged in making, acquiring or holding commercial loans in the ordinary course of its business. Independently, and without reliance upon the Administrative Agent, each Lender, to the extent it deems appropriate, has made and shall continue to make (a) its own independent investigation of the financial condition and affairs of the Credit Parties in connection with the taking or not taking of any action in connection herewith, and (b) its own appraisal of the creditworthiness of the Credit Parties, and, except as expressly provided in this Agreement and the other Loan Documents, the Administrative Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before the consummation of the Transactions or at any time or times thereafter.

(2) *Agents Not Responsible.* The Administrative Agent shall not be responsible to any Lender for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, collectability, priority or sufficiency of this Agreement or the other Loan Documents or the financial condition of the Credit Parties or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or the other Loan Documents, or the financial condition of the Credit Parties, or the existence or possible existence of any Default or Event of Default.

#### **8.5 Certain Rights of the Administrative Agent.**

If the Administrative Agent shall request instructions from the Lenders or the Required Lenders (as the case may be) with respect to any act or action (including the failure to act) in connection with this Agreement or the other Loan Documents, the Administrative Agent shall be entitled to refrain from such act or taking such action unless and until the Administrative Agent shall have received written instructions from the Lenders or the Required Lenders, as applicable, and the Administrative Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Lender shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting under this Agreement and the other Loan Documents in accordance with the instructions of the Required Lenders, or, to the extent required by Section 9.2, all of the Lenders.

#### **8.6 Reliance by Administrative Agent.**

The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or facsimile message, electronic mail, cablegram, radiogram, order or other documentary teletransmission, telephone message, Internet or intranet website posting or other distribution believed by it to be genuine and correct and to have been signed, sent or made by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan or Borrowing that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent may consult with legal counsel (including counsel for the

Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

### **8.7 Indemnification of Administrative Agent.**

To the extent the Administrative Agent is not reimbursed and indemnified by the Borrower, each Lender shall reimburse and indemnify the Administrative Agent, in proportion to its aggregate Applicable Percentage, for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including reasonable counsel fees and disbursements) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent in performing its duties hereunder, in any way relating to or arising out of this Agreement or any other Loan Document; provided that no Lender shall be liable to the Administrative Agent for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence (it being acknowledged that ordinary negligence does not necessarily constitute gross negligence) or willful misconduct. For the avoidance of doubt, the Borrower shall reimburse a Lender for any payment pursuant to this Section 8.7.

### **8.8 The Administrative Agent in its Individual Capacity.**

With respect to its obligations under this Agreement and the Loans made by it, Canadian Imperial Bank of Commerce, in its capacity as a Lender hereunder, shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not performing the duties, if any, specified herein; and the terms "**Lenders**", "**Required Lenders**", "**Revolving Credit Lenders**", "**Term Credit Lenders**" and any similar terms shall, unless the context clearly otherwise indicates, include Canadian Imperial Bank of Commerce in its capacity as a Lender hereunder. The Administrative Agent and the Arranger may accept deposits from, lend money to, and generally engage in any kind of banking, trust, financial advisory or other business with the Borrower or any Affiliate of the Borrower as if it were not performing the duties, if any, specified herein, and may accept fees and other consideration from the Borrower for services in connection with this Agreement and otherwise without having to account for the same to the Lenders.

### **8.9 May Treat Lender as Owner.**

The Borrower, the Administrative Agent and the Issuing Bank may deem and treat each Lender as the owner of the Loans recorded on the Register maintained pursuant to Section 9.4(3) for all purposes hereof until a written notice of the assignment or transfer thereof shall have been filed with the Administrative Agent. Any request, authority or consent of any Person who at the time of making such request or giving such authority or consent is the owner of a Loan shall be conclusive and binding on any subsequent owner, transferee or assignee of such Loan.

### **8.10 Successor Administrative Agent.**

(1) *Replacement of Administrative Agent.* The Administrative Agent may resign at any time by giving written notice thereof to the Lenders, the Issuing Banks and the Borrower. Upon any such resignation, the Required Lenders shall have the right, upon five Business Days' notice to the Borrower, to appoint a successor Administrative Agent (who shall not be a non-resident of Canada within the meaning of the ITA), subject to the approval of the Borrower, such approval not to be unreasonably withheld. If no successor Administrative Agent shall have been so appointed by the Required Lenders,

and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation, then, upon five Business Days' notice to the Borrower, the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent (subject to approval of the Borrower, such approval not to be unreasonably withheld), which shall be a financial institution organized under the laws of Canada having a combined capital and surplus of at least \$1,000,000,000 or having a parent company with combined capital and surplus of at least \$1,000,000,000.

(2) *Rights, Powers, etc.* Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article 8 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

#### **8.11 No Independent Legal Action.**

Notwithstanding that any debt arising hereunder to a Lender shall be separate and independent debt, no Lender may take any independent legal action to enforce any obligation of the Borrower hereunder. Each Lender hereby acknowledges that, to the extent permitted by applicable Law, the Security Documents and the remedies provided thereunder to the Secured Parties are for the benefit of the Secured Parties collectively and acting together and not severally, and further acknowledges that each Secured Party's rights hereunder and under the Security Documents are to be exercised collectively, not severally, by the Administrative Agent upon the decision of the Required Lenders. Accordingly, notwithstanding any of the provisions contained herein or in the Security Documents, each of the Lenders hereby covenants and agrees that it and its Related Non-Party Beneficiaries shall not be entitled to take any action hereunder or thereunder, including any declaration of default hereunder or thereunder, but that any such action shall be taken only by the Administrative Agent with the prior written agreement of the Required Lenders, provided that, notwithstanding the foregoing, in the absence of instructions from the Lenders (or the Required Lenders) and where in the sole opinion of the Administrative Agent the exigencies of the situation so warrant such action, the Administrative Agent may without notice to or consent of the Lenders (or the Required Lenders) take such action on behalf of the Secured Parties as it deems appropriate or desirable in the interests of the Secured Parties. Each Lender hereby further covenants and agrees that upon any such written consent being given by the Required Lenders (or, to the extent required by Section 9.2, the Lenders), it and its Related Non-Party Beneficiaries shall co-operate fully with the Administrative Agent to the extent requested by the Administrative Agent, and each Lender further covenants and agrees that all proceeds from the realization of the Security Documents, to the extent permitted by applicable Law, are held for the benefit of all of the Secured Parties and shall be shared among them in accordance with this Agreement, and each Lender acknowledges that all costs of any such realization (including all amounts for which the Administrative Agent is required to be indemnified under the provisions hereof) shall be shared among the Lenders in accordance with this Agreement. Each Lender covenants and agrees to do, and to cause its Related Non-Party Beneficiaries to do, all acts and things and to make, execute and deliver all agreements and other instruments, so as to fully carry out the intent and purpose of this Section 8.11, and each Lender hereby covenants and agrees that it and its Related Non-Party Beneficiaries shall not (i) seek, take, accept or receive any Lien (other than a right of set-off) or Guarantee for any of the Secured Liabilities other than is provided to the Administrative Agent, or (ii) enter into any other agreement with any of the Credit Parties relating in any manner whatsoever to the Credits unless all of the Lenders shall at the same time obtain the benefit of any such agreement. For the avoidance of doubt but subject always to Section 2.16, nothing in this

Section 8.11 shall limit or otherwise affect the ability of any Secured Party to separately enforce its rights under any document, instrument or agreement with respect to any Secured Hedge Arrangement or Cash Management Services.

#### **8.12 Arranger.**

The Arranger has no duties, liabilities or obligations hereunder.

#### **8.13 Québec Security.**

For the purposes of the grant of security under the laws of the Province of Quebec which may now or in the future be required to be provided by any Credit Party, the Administrative Agent is hereby irrevocably authorized and appointed by each of the Lenders hereto to act as hypothecary representative (within the meaning of Article 2692 of the Civil Code of Quebec) for all present and future Lenders (in such capacity, the “**Hypothecary Representative**”) in order to hold any hypothec granted under the laws of the Province of Quebec and to exercise such rights and duties as are conferred upon the Hypothecary Representative under the relevant deed of hypothec and applicable Laws (with the power to delegate any such rights or duties). The execution prior to the date hereof by the Administrative Agent in its capacity as the Hypothecary Representative of any deed of hypothec or other security documents made pursuant to the laws of the Province of Quebec, is hereby ratified and confirmed. Any Person who becomes a Lender or successor Administrative Agent shall be deemed to have consented to and ratified the foregoing appointment of the Administrative Agent as the Hypothecary Representative on behalf of all Secured Parties, including such Person and any Affiliate of such Person designated above as a Lender. For greater certainty, the Administrative Agent, acting as the Hypothecary Representative, shall have the same rights, powers, immunities, indemnities and exclusions from liability as are prescribed in favor of the Administrative Agent in this Agreement, which shall apply *mutatis mutandis*. In the event of the resignation of the Administrative Agent (which shall include its resignation as the Hypothecary Representative) and appointment of a successor Administrative Agent, such successor Administrative Agent shall also act as the Hypothecary Representative, as contemplated above.

#### **8.14 [Reserved.]**

#### **8.15 Erroneous Payments by the Administrative Agent.**

(1) *Clawback.* If the Administrative Agent (x) notifies a Lender or other Secured Party, or any Person who has received funds on behalf of a Lender or other Secured Party under or pursuant to any of the Loan Documents (any such Lender, other Secured Party or other recipient (and each of their respective successors and assigns), a “**Payment Recipient**”) that the Administrative Agent has determined in its sole discretion (whether or not after receipt of any notice under Section 8.15(2)) that any funds (as set forth in such notice from the Administrative Agent) received by such Payment Recipient from the Administrative Agent or any of its Affiliates were erroneously or mistakenly transmitted or paid to, or otherwise erroneously or mistakenly received by, such Payment Recipient (whether or not known to such Lender, other Secured Party or other Payment Recipient on its behalf) (any such funds, whether transmitted or received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise, individually and collectively, an “**Erroneous Payment**”) and (y) demands in writing the return of such Erroneous Payment (or a portion thereof), such Erroneous Payment shall at all times remain the property of the Administrative Agent pending its return or repayment as contemplated below in this Section 8.15(1) and held in trust for the benefit of the Administrative Agent, and such Lender or other Secured Party shall (or, with respect to any Payment Recipient who received such funds on its behalf, shall cause such Payment Recipient to) promptly, but in no event later than three

Business Days thereafter (or such later date as the Administrative Agent may, in its sole discretion, specify in writing), return to the Administrative Agent the amount of any such Erroneous Payment (or portion thereof) as to which such a demand was made, in same day funds (in the currency so received), together with interest thereon (except to the extent waived in writing by the Administrative Agent) in respect of each day from and including the date such Erroneous Payment (or portion thereof) was received by such Payment Recipient to the date such amount is repaid to the Administrative Agent in same day funds at the greater of (x) in respect of an Erroneous Payment in Canadian Dollars or any other currency, at a fluctuating rate per annum equal to the overnight rate at which Canadian Dollars or funds in the currency of such Erroneous Payment, as the case may be, may be borrowed by the Administrative Agent in the interbank market in an amount comparable to such Erroneous Payment (as determined by the Administrative Agent), and (y) a rate determined by the Administrative Agent in accordance with banking industry rules or prevailing market practice for interbank compensation from time to time in effect. A notice of the Administrative Agent to any Payment Recipient under this Section 8.15(1) shall be conclusive, absent manifest error.

(2) *Error Designation.* Without limiting the immediately preceding Section 8.15(1), each Lender or other Secured Party, or any Person who has received funds on behalf of a Lender or other Secured Party (and each of their respective successors and assigns) under or pursuant to any of the Loan Documents, hereby further agrees that if it receives a payment, prepayment or repayment (whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise) from the Administrative Agent (or any of its Affiliates) (x) that is in a different amount than, or on a different date from, that specified in this Agreement or in a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates) with respect to such payment, prepayment or repayment, (y) that was not preceded or accompanied by a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates), or (z) that such Lender or Secured Party, or other such recipient, otherwise becomes aware was transmitted, paid, or received, in error or by mistake (in whole or in part), then in each such case:

- (a) it acknowledges and agrees that (i) in the case of immediately preceding clauses (x) or (y), an error and mistake shall be presumed to have been made (absent express written confirmation from the Administrative Agent to the contrary), or (ii) an error and mistake has been made (in the case of immediately preceding clause (z)), in each case, with respect to such payment, prepayment or repayment; and
- (b) such Lender or other Secured Party shall cause any other recipient that receives funds on its respective behalf to promptly (and, in all events, within one Business Day of its knowledge of the occurrence of any of the circumstances described in the immediately preceding clauses (x),(y) and (z)) notify the Administrative Agent of its receipt of such payment, prepayment or repayment, the details thereof (in reasonable detail) and that it is so notifying the Administrative Agent pursuant to this Section 8.15(2).

For the avoidance of doubt, the failure to deliver a notice to the Administrative Agent pursuant to this Section 8.15(2) shall not have any effect on a Payment Recipient's obligations pursuant to Section 8.15(1) or on whether or not an Erroneous Payment has been made.

(3) *Set-off.* Each Lender or other Secured Party hereby authorizes the Administrative Agent to set-off, net and apply any and all amounts at any time owing to such Lender or other Secured Party under any Loan Document, or otherwise payable or distributable by the Administrative Agent to such Lender or other Secured Party under any Loan Document with respect to any payment of principal,

interest, fees or other amounts, against any amount that the Administrative Agent has demanded to be returned under Section 8.15(1).

(4) *Assignment.* In the event that an Erroneous Payment (or portion thereof) is not recovered by the Administrative Agent for any reason, after demand therefor in accordance with Section 8.15(1), from any Lender that has received such Erroneous Payment (or portion thereof) (and/or from any Payment Recipient who received such Erroneous Payment (or portion thereof) on its behalf) (such unrecovered amount, an “**Erroneous Payment Return Deficiency**”), upon the Administrative Agent’s notice to such Lender at any time, then effective immediately (with the consideration therefor being acknowledged by the parties hereto):

- (a) such Lender shall be deemed to have assigned its Loans (but not any of its Commitments) under any of the applicable Credits with respect to which such Erroneous Payment was made (the “Erroneous Payment Impacted Facilities”) in an amount equal to the Erroneous Payment Return Deficiency (or such lesser amount as the Administrative Agent may specify) (such assignment of the Loans (but not any of its Commitments) of the Erroneous Payment Impacted Facilities, the “**Erroneous Payment Deficiency Assignment**”) (on a cashless basis and such amount calculated at par plus any accrued and unpaid interest (with the assignment fee to be waived by the Administrative Agent in such instance)), and is hereby (together with the Borrower) deemed to execute and deliver an Assignment and Assumption with respect to such Erroneous Payment Deficiency Assignment;
- (b) the Administrative Agent as the assignee Lender shall be deemed to have acquired the Erroneous Payment Deficiency Assignment;
- (c) upon such deemed acquisition, the Administrative Agent as the assignee Lender shall become a Lender hereunder with respect to such Erroneous Payment Deficiency Assignment and the assigning Lender shall cease to be a Lender hereunder with respect to such Erroneous Payment Deficiency Assignment, excluding, for the avoidance of doubt, its obligations under the indemnification provisions of this Agreement and any of its Commitments which shall survive as to such assigning Lender;
- (d) the Administrative Agent and the Borrower shall each be deemed to have waived any consents required under this Agreement to any such Erroneous Payment Deficiency Assignment; and
- (e) the Administrative Agent will reflect in the Register its ownership interest in the Loans subject to the Erroneous Payment Deficiency Assignment.

For the avoidance of doubt, no Erroneous Payment Deficiency Assignment will reduce the Commitments of any Lender and such Commitments shall remain available in accordance with the terms of this Agreement. Subject to Section 9.4 (but excluding, in all events, any assignment consent or approval requirements (whether from the Borrower or otherwise)), the Administrative Agent may, in its discretion, sell any Loans acquired pursuant to an Erroneous Payment Deficiency Assignment and, upon receipt of the proceeds of such sale, the Erroneous Payment Return Deficiency owing by the applicable Lender shall be reduced by the net proceeds of the sale of such Loan (or portion thereof), and the Administrative Agent shall retain all other rights, remedies and claims against such Lender (and/or against any recipient that receives funds on its respective behalf). In addition, an Erroneous Payment Return Deficiency owing by the applicable Lender (x) shall be reduced by the proceeds of prepayments or repayments of principal

and interest, or other distribution in respect of principal and interest, received by the Administrative Agent on or with respect to any such Loans acquired from such Lender pursuant to an Erroneous Payment Deficiency Assignment ( to the extent that any such loans are then owned by the Administrative Agent) and (y) may, in the sole discretion of the Administrative Agent, be reduced by any amount specified by the Administrative Agent in writing to the applicable Lender from time to time.

(5) *Secured Liabilities Satisfaction.* The parties hereto agree that (x) irrespective of whether the Administrative Agent may be equitably subrogated, in the event that an Erroneous Payment (or portion thereof) is not recovered from any Payment Recipient that has received such Erroneous Payment (or portion thereof) for any reason, the Administrative Agent shall be subrogated to all the rights and interests of such Payment Recipient (and, in the case of any Payment Recipient who has received funds on behalf of a Lender or other Secured Party, to the rights and interests of such Lender or Secured Party, as the case may be) under the Loan Documents with respect to such amount (the “**Erroneous Payment Subrogation Rights**”) (provided that the Credit Parties’ Secured Liabilities under the Loan Documents in respect of the Erroneous Payment Subrogation Rights shall not be duplicative of such Secured Liabilities in respect of Loans that have been assigned to the Administrative Agent under an Erroneous Payment Deficiency Assignment), and (y) an Erroneous Payment shall not pay, prepay, repay, discharge or otherwise satisfy any Secured Liabilities owed by the Borrower or any other Credit Party; provided that this Section 8.15(5) shall not be interpreted to increase (or accelerate the due date for), or have the effect of increasing (or accelerating the due date for), the obligations of the Borrower relative to the amount (and/or timing for payment) of the obligations that would have been payable had such Erroneous Payment not been made by the Administrative Agent; provided, further, that for the avoidance of doubt, immediately preceding clauses (x) and (y) shall not apply to the extent any such Erroneous Payment is, and solely with respect to the amount of such Erroneous Payment that is, comprised of funds received by the Administrative Agent from (i) the Borrower or any other Credit Party or (ii) the proceeds of realization from the enforcement of one or more of the Loan Documents against or in respect of one or more of the Credit Parties; provided that, in each case, such funds were received by the Administrative Agent for the purpose of discharging such Secured Liabilities.

(6) *Waiver of Defences.* To the extent permitted by applicable Law, no Payment Recipient shall assert any right or claim to an Erroneous Payment, and hereby waives, and is deemed to waive, any claim, counterclaim, defence or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Administrative Agent for the return of any Erroneous Payment received, including, without limitation, any defence based on “discharge for value”, “good consideration” for the Erroneous Payment or change of position by such Payment Recipient, any defence that the intent of the Administrative Agent was that such Payment Recipient retain the Erroneous Payment in all events, or any doctrine or defence similar to any of the foregoing.

(7) *Survival.* Each party’s obligations, agreements and waivers under this Section 8.15 shall survive the resignation or replacement of the Administrative Agent, or any assignment or transfer of rights or obligations by, or the replacement of, a Lender or an Affiliate thereof the termination of the Commitments and/or the repayment, satisfaction or discharge of all Secured Liabilities (or any portion thereof) under any Loan Document.

(8) *Affiliates.* For purposes of this Section 8.15, each Lender:

(a) agrees it is executing and delivering this Agreement with respect to this Section 8.15 both on its own behalf and as agent for and on behalf of its Affiliates referred to in this

Section 8.15 and any Person receiving funds under or pursuant to any of the Loan Documents on behalf of such Lender or any of such Affiliates;

- (b) represents, warrants, covenants and agrees that its Affiliates referred to in this Section 8.15 and any Person receiving funds under or pursuant to any of the Loan Documents on behalf of such Lender or any of such Affiliates are bound by the provisions of this Section 8.15; and
- (c) agrees that any matter or thing done or omitted to be done by such Lender, its Affiliates, or any Person receiving funds under or pursuant to any of the Loan Documents on behalf of such Lender or any of such Affiliates which are the subject of this Section 8.15 will be binding upon such Lender and such Lender does hereby indemnify and save the Administrative Agent and its Affiliates harmless from any and all losses, expenses, claims, demands or other liabilities of the Administrative Agent and its Affiliates resulting from the failure of such Lender, its Affiliates or such Persons to comply with their obligations under and in respect of this Section 8.15.

(9) *No Borrower Liability.* Except pursuant to an Erroneous Payment Deficiency Assignment or the exercise of any Erroneous Payment Subrogation Rights (or any equivalent equitable subrogation rights), the Borrower shall not have any liability to the Administrative Agent for any Erroneous Payment or any interest, loss, cost or damages related thereto or arising therefrom under any provision of this Agreement or any other Loan Document or under any legal principle or theory, whether arising by law or in equity.

## ARTICLE 9 MISCELLANEOUS

### 9.1 Notices.

(1) *Method and Contact Information.* Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to Section 9.1(2)), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile or e-mail in each case to the addressee, as follows:

- (a) if to the Borrower or any other Credit Party:

Pure Sunfarms Corp.  
4431 – 80<sup>th</sup> Street  
Delta, British Columbia  
V4K 3N3  
Attention: [\*\*\*Redacted – Personally Identifying Information\*\*\*]

E-mail: [\*\*\*Redacted – Personally Identifying Information\*\*\*]

with a copy to (which shall not constitute notice):

Farris LLP  
2500 – 700 West Georgia Street

Vancouver, British Columbia  
V7Y 1B3

Attention: [\*\*\*Redacted – Personally Identifying Information\*\*\*] and [\*\*\*Redacted – Personally Identifying Information\*\*\*]

Email: [\*\*\*Redacted – Personally Identifying Information\*\*\*] and [\*\*\*Redacted – Personally Identifying Information\*\*\*]

- (b) if to the Administrative Agent:

Canadian Imperial Bank of Commerce, as Administrative Agent  
Infrastructure/Technology, Infrastructure and Innovation  
595 Bay Street, 7<sup>th</sup> Floor  
Toronto, Ontario  
M5G 2C2  
Attention: Global Agent Administration Services  
E-mail: [\*\*\*Redacted – Personally Identifying Information\*\*\*]

with a copy to:

Blake, Cassels & Graydon LLP  
199 Bay Street  
Toronto, Ontario  
M5L 1A9

Attention: [\*\*\*Redacted – Personally Identifying Information\*\*\*]  
Email: [\*\*\*Redacted – Personally Identifying Information\*\*\*]

- (c) if to any Lender or any Issuing Bank, to it at its address, facsimile number or e-mail address set out opposite its name on Schedule 9.1 or in the Assignment and Assumption by which it becomes a Lender.

(2) *Electronic Communications.* Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communication to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(3) *Change of Address; When Notice Deemed Given.* Any party hereto may change its address, facsimile number or e-mail address for notices and other communications hereunder by notice to the other parties hereto in the manner provided in Section 9.1. All notices and other communications given to any Party in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

(4) Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient).

Notices delivered through Electronic Systems, to the extent provided in paragraph (5) below, shall be effective as provided in said paragraph (5).

(5) Unless the Lender otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient, at its e-mail address as described in the foregoing clause (i), of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii) above, if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient.

(6) *Electronic Systems.*

- (a) The Borrower agrees that the Administrative Agent may, but shall not be obligated to, make Communications (as defined below) available to the Issuing Bank and the other Lenders by posting the Communications on Debt Domain, Intralinks, Syndtrak, ClearPar or a substantially similar Electronic System. Although the Approved Electronic Platform and its primary web portal are secured with generally-applicable security procedures and policies implemented or modified by the Administrative Agent from time to time (including, as of the Closing Date, a user ID/password authorization system) and the Approved Electronic Platform is secured through a per-deal authorization method whereby each user may access the Approved Electronic Platform only on a deal-by-deal basis, each of the Lenders, each of the Issuing Banks and the Borrower acknowledges and agrees that the distribution of material through an electronic medium is not necessarily secure, that the Administrative Agent is not responsible for approving or vetting the representatives or contacts of any Lender that are added to the Approved Electronic Platform, and that there may be confidentiality and other risks associated with such distribution. Each of the Lenders, each of the Issuing Banks and the Borrower hereby approves distribution of the Communications through the Approved Electronic Platform and understands and assumes the risks of such distribution.
- (b) Any Electronic System used by the Administrative Agent is provided "as is" and "as available." The Agent Parties (as defined below) do not warrant the adequacy of such Electronic Systems and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent Party in connection with the Communications or any Electronic System. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "**Agent Parties**") have any liability to any Credit Party, any Lender, any Issuing Bank or any other Person or entity for damages of any kind, including direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of any Credit Party's or the Administrative Agent's transmission of Communications through an Electronic System, except to the extent of direct or actual damages as are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct on the part of any Agent Party or such Credit Party; provided that any

Communication to any Lenders, prospective Lenders, Participants or prospective Participants or, to the extent such disclosure is otherwise permitted, to any other Person through an Electronic System shall be made subject to the acknowledgement and acceptance by such Person that such Communication is being disseminated or disclosed on a confidential basis (on terms substantially the same as set forth in Section 9.16 or otherwise reasonably acceptable to the Administrative Agent and the Borrower), which shall in any event require “click through” or other affirmative actions on the part of the recipient to access such Communication. “Communications” means, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of any Credit Party pursuant to any Loan Document or the transactions contemplated therein which is distributed by the Administrative Agent, any Lender or the Issuing Bank by means of electronic communications pursuant to this Section, including through an Electronic System.

## 9.2 Waivers; Amendments.

(1) *Waiver.* No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by Section 9.2(2), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(2) *Amendments - General.* Neither this Agreement nor any other Security Document (or any provision hereof or thereof) may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders (and for greater certainty, any such waiver, amendment or modification shall not require any consent or other agreement of any Credit Party other than the Borrower, notwithstanding that any such Credit Party may be a party to this Agreement or any other Loan Document); provided that no such agreement shall:

- (a) increase the amount of any Credit or any Commitment of any Lender thereunder;
- (b) extend the expiry date of any Commitment of any Lender;
- (c) reduce the principal amount of any Loan or reduce the rate of interest or any fee applicable to any Loan (provided that the Required Lenders may amend the definition of Leverage Ratio or any of its constituent definitions notwithstanding any effect on the Applicable Margin);
- (d) postpone the scheduled date of payment of the principal amount of any Loan, or any interest thereon, or any fees payable in respect thereof, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any

Commitment (it being understood that (i) modifications to, or waivers of, the mandatory prepayment provisions of Section 2.9(2) do not fall within this clause (d));

- (e) change Section 2.16 in a manner that would alter the sharing of payments required thereby;
- (f) otherwise increase the principal amount of Indebtedness available hereunder;
- (g) amend the definition of Secured Parties or Secured Liabilities, or any of their constituent defined terms;
- (h) change any of the provisions of this Section 9.2 or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder;
- (i) waive any Event of Default under Section 7.1(h), (i), or (j) (it being understood that any other Event of Default may be waived by the Required Lenders, notwithstanding that the Loans would otherwise bear a default rate of interest and be capable of falling due and payable); or
- (j) release any Credit Party from any material obligations under the Security Documents and other instruments contemplated by this Agreement, release or discharge any of the Liens arising under the Security Documents, permit the creation of any Liens (other than Permitted Liens) on any of the assets subject to the Liens arising under the Security Documents, waive or forgo the delivery any Security Document required hereunder, lower the priority of any Lien arising under any of the Security Documents, or lower the priority of any payment obligation of any Credit Party under any of the Loan Documents,

in each case without the prior written consent of each Lender, or in the case of the matters referred to in Section 9.2(2)(a), (b), (c), (d) and (e), without the prior written consent of each Lender directly affected thereby, and provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Issuing Bank or the Swingline Lender hereunder, as the case may be, without the prior written consent of the Administrative Agent, Issuing Bank or Swingline Lender (as applicable).

(3) *Amendments - without Lenders.* Notwithstanding Section 9.2(2), the Administrative Agent may:

- (a) release and discharge the Liens constituted by the Security Documents or a Guarantor from the Credit Party Guarantee to the extent necessary to enable a Credit Party to complete any Asset Disposition which is not prohibited by this Agreement or the other Loan Documents;
- (b) subordinate the Liens constituted by the Security Documents to any Lien permitted by clause (c) of the definition of Permitted Lien;
- (c) together with the Borrower, enter into amendments or modifications to this Agreement or any of the other Loan Documents, or enter into additional Loan Documents, in each case

as the Administrative Agent deems appropriate in order to implement any Conforming Changes or otherwise effectuate the terms of Section 2.12(1) or (2); and

- (d) together with the Borrower, amend, modify or supplement any provision of this Agreement or any other Loan Document as required to cure any ambiguity, omission, mistake, typographical error or other defect identified by the Administrative Agent and the Borrower acting together;

and all such actions shall become effective without any further action or consent of any Lender or any other party to this Agreement.

### **9.3 Expenses; Indemnity; Damage Waiver.**

(1) *Expenses.* The Borrower shall pay (a) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent and all applicable Taxes, in connection with the syndication of the credit facilities provided for herein and the preparation and administration of this Agreement and the other Loan Documents, (b) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent and applicable Taxes, in connection with any amendments, modifications or waivers of the provisions hereof or of any of the other Loan Documents, (whether or not the transactions contemplated hereby or thereby shall be consummated), and (c) all out-of-pocket expenses incurred by the Administrative Agent, the Arranger or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender and all applicable Taxes, in connection with the assessment, enforcement or protection of their rights in connection with this Agreement, including its rights under Section 9.3, or in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(2) *Indemnity.* The Borrower shall indemnify the Arranger and each Secured Party, as well as each Related Party and each assignee of any of the foregoing Persons (each such Person and each such assignee being called an “**Indemnitee**”) against, and hold each Indemnitee harmless from, any and all losses, claims, cost recovery actions, damages, expenses and liabilities of whatsoever nature or kind and all reasonable out-of-pocket expenses and all applicable Taxes (other than Excluded Taxes) to which any Indemnitee may become subject arising out of or in connection with (a) the execution or delivery of the Loan Documents or any agreement or instrument contemplated thereby, the performance by the parties thereto of their respective obligations thereunder, and the consummation of the Transactions or any other transactions thereunder, (b) any Loan or Letter of Credit or any actual or proposed use of the proceeds therefrom, including any refusal by the Issuing Bank to honour a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit, (c) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by a Credit Party, or any Environmental Liability related in any way to a Credit Party, (d) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto, (e) any other aspect of this Agreement and the other Loan Documents (including any misrepresentation made thereunder), or (f) the enforcement of any Indemnitee’s rights hereunder and any related assessment, investigation, defence, preparation of defence, litigation and enquiries; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (i) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence (it being

acknowledged that ordinary negligence does not necessarily constitute gross negligence) or wilful misconduct of such Indemnitee.

(3) *Lender Responsibility for Unpaid Expenses and Indemnity.* To the extent that the Borrower fails to pay any amount required to be paid under Sections 9.3(1) or (2), each Lender severally agrees to pay to the Administrative Agent, the Issuing Bank or the Swingline Lender (as applicable) such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, an Issuing Bank or the Swingline Lender, in its capacity as such. For the avoidance of doubt, the Borrower shall reimburse a Lender for any payment made pursuant to this Section 9.3(3).

(4) *Inspections for Administration.* Any inspection of any property of any Credit Party made by or through the Administrative Agent or any Lender shall be for purposes of administration of the Credits only, and no Credit Party shall be entitled to rely upon the same (whether or not such inspections are at the expense of the Borrower).

(5) *No Representation.* By accepting or approving anything required to be observed, performed, fulfilled or given to the Administrative Agent or the Lenders pursuant to the Loan Documents, neither the Administrative Agent nor the Lenders shall be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance or approval thereof shall not constitute a warranty or representation to anyone with respect thereto by the Administrative Agent or the Lenders.

(6) *Relationship Between Parties.* The relationship between the Borrower and the Administrative Agent and the Lenders is, and shall at all times remain, solely that of borrower and lenders. Neither the Administrative Agent nor the Lenders shall under any circumstances be construed to be partners or joint venturers of the Borrower or its Affiliates. Neither the Administrative Agent nor the Lenders shall under any circumstances be deemed to be in a relationship of confidence or trust or a fiduciary relationship with the Borrower or its Affiliates, or to owe any fiduciary duty to the Borrower or its Affiliates. Neither the Administrative Agent nor the Lenders undertake or assume any responsibility or duty to the Borrower or its Affiliates to select, review, inspect, supervise, pass judgment upon or inform the Borrower or its Affiliates of any matter in connection with their property or the operations of the Borrower or its Affiliates. The Borrower and its Affiliates shall rely entirely upon their own judgment with respect to such matters, and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by the Administrative Agent or the Lenders in connection with such matters shall be solely for the protection of the Administrative Agent and the Lenders, and neither the Borrower nor any other Person shall be entitled to rely thereon.

(7) *Limitation of Liability.* The Administrative Agent and the Lenders shall not be responsible or liable to any Person for any loss, damage, liability or claim of any kind relating to injury or death to Persons or damage to property caused by the actions, inaction or negligence of any Credit Party or its Affiliates, and the Borrower hereby indemnifies and holds the Administrative Agent and the Lenders harmless on the terms set out in Section 9.3(2) from any such loss, damage, liability or claim.

(8) *Waiver.* To the extent permitted by applicable Law, the Borrower shall not assert, and the Borrower hereby waives, any claim against any Indemnitee for any damages arising from the use by

others of information or other materials obtained through telecommunications, electronic or other information transmission systems (including the Internet).

(9) *Payment of Expenses and Indemnity.* All amounts due under Section 9.3 shall be payable not later than three Business Days after written demand therefor.

#### 9.4 Successors and Assigns.

(1) *Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that (a) the Borrower shall not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void), and (b) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section 9.4. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(2) *Assignment by Lenders.* Any Lender may assign to one or more assignees (treating any fund that invests in bank loans and any other fund that invests in bank loans and is managed by the same investment advisor of such fund or by an Affiliate of such investment advisor as a single assignee) all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including all or a portion of its Commitments and the Loans at the time owing to it); provided that:

- (a) except in the case of an assignment to a Lender or a Lender Affiliate must give its prior written consent to such assignment (which consent shall not be unreasonably withheld, conditioned or delayed and the Borrower shall be deemed to have consented to an assignment unless it shall have objected thereto by written notice to the Administrative Agent within three (3) Business Days after having received notice thereof);
- (b) except in the case of an assignment of (i) any Revolving Credit Commitment to an assignee that is a Lender with a Revolving Credit Commitment immediately prior to giving effect to such assignment, or (ii) any Delayed Draw Term Credit Commitment to an assignee that is a Lender with a Delayed Draw Term Credit Commitment immediately prior to giving effect to such assignment; or (iii) all or any portion of a Delayed Draw Term Loan to an assignee that is a Lender with a Delayed Draw Term Credit Commitment immediately prior to giving effect to such assignment, the Administrative Agent must give its prior written consent to such assignment (which consent shall not be unreasonably withheld, conditioned or delayed);
- (c) the Borrower's consent shall not be required with respect to any assignment made at any time after the occurrence and during the continuance of an Event of Default,
- (d) except in the case of an assignment to an existing Lender or a Lender Affiliate or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date on which the Assignment and Assumption relating to such assignment is delivered to the Administrative Agent) shall (i) not be less than \$1,000,000

and (ii) the amount held by each Lender after each such assignment shall not be less than \$5,000,000 unless in each case each of the Borrower and the Administrative Agent otherwise consent in writing;

- (e) each partial assignment in respect of a Commitment and the related Loans shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement in respect of such Commitment and the related Loans;
- (f) the parties to each assignment shall execute and deliver to the Administrative Agent (x) an Assignment and Assumption, Assumption or (y) to the extent applicable, an agreement incorporating an Assignment and Assumption by reference pursuant to a Platform as to which the Administrative Agent and the parties to the Assignment and Assumption are participants, together with (except in the case of an assignment to an existing Lender or a Lender Affiliate) a processing and recordation fee of \$5,000, payable by the assigning Lender;
- (g) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and
- (h) no assignment may be made to Credit Party, any Affiliate of any Credit Party, any Subordinate Creditor or a Defaulting Lender.

The Administrative Agent shall provide the Borrower and each Lender with written notice of any change in (or new) address of a Lender disclosed in an Administrative Questionnaire. Subject to acceptance and recording thereof pursuant to Section 9.4(4), from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, shall have all of the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.13, 2.14, and 2.15 and 9.3). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with Section 9.4 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 9.4(5).

(3) *Register.* The Administrative Agent, acting for this purpose as a non-fiduciary agent of the Borrower, shall maintain at one of its offices in Toronto, Ontario a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "**Register**"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Bank, and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower, the Issuing Bank and any Lender at any reasonable time and from time to time upon reasonable prior notice.

(4) *Acceptance and Recording of Assignments.* Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in Section 9.4(2) and any written consent to such assignment required by

Section 9.4(2), the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this Section 9.4(4).

(5) *Participations.* Any Lender may, without notice to the Borrower or the consent of the Borrower, the Administrative Agent, the Issuing Bank or the Swingline Lender, sell participations to one or more Persons that satisfy the requirements of an Eligible Assignee (a “**Participant**”) in all or a portion of such Lender’s rights and obligations under this Agreement and the other Loan Documents (including all or a portion of its Commitment and the Loans owing to it); provided that (a) such Lender’s obligations under this Agreement shall remain unchanged, (b) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, and (c) the Borrower, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that (d) such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender shall not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.2(2) that affects such Participant, and (e) the Participant shall agree to maintain the confidentiality of Information (as defined in Section 9.16) on terms and conditions substantively similar to those contained in Section 9.16. Subject to Section 9.4(6), the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.14, 2.15 and 9.3 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 9.4(2). To the extent permitted by Law, each Participant also shall be entitled to the benefits of Section 9.11 as though it were a Lender, provided that such Participant agrees to be subject to Section 2.16(4) as though it were a Lender.

(6) *Rights of Participant.* A Participant shall not be entitled to receive any greater payment under Sections 2.13, 2.14, 2.15 and 9.3 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower’s prior written consent.

(7) *Lender Pledge of Security.* Any Lender may at any time grant a security interest in all or any portion of its rights under this Agreement to secure the obligations of such Lender, including to secure obligations to the Federal Reserve Bank of New York or any other central banking authority, and Section 9.4 shall not apply to any such grant of a security interest; provided that no grant of a security interest shall release a Lender from any of its obligations hereunder or substitute any such grantee for such Lender as a party hereto.

(8) *Borrower’s Obligations.* Any assignment or grant of a participation pursuant to Section 9.4 shall constitute neither a repayment by the Borrower to the assigning or granting Lender of any Loan included therein, nor a new advance of any such Loan to the Borrower by such Lender or by the assignee or Participant, as the case may be. The parties acknowledge that the Borrower’s obligations hereunder with respect to any such Loans shall continue and shall not constitute new obligations as a result of such assignment or participation.

## **9.5 Anti-Money Laundering Legislation.**

(1) *Information.* The Borrower acknowledges that, pursuant to AML Legislation, the Lenders and the Administrative Agent may be required to obtain, verify and record information regarding the Borrower, its directors, authorized signing officers, direct or indirect shareholders or other Persons in

control of the Borrower, and the transactions contemplated hereby. The Borrower shall promptly provide all such information, including supporting documentation and other evidence, as may be reasonably requested by any Lender or the Administrative Agent, or any prospective assignee or participant of a Lender or the Administrative Agent, in order to comply with any applicable AML Legislation, whether now or hereafter in existence.

(2) *Role of Agent.* If the Administrative Agent has ascertained the identity of the Borrower or any authorized signatories of the Borrower for the purposes of applicable AML Legislation, then the Administrative Agent:

- (a) shall be deemed to have done so as an agent for each Lender, and this Agreement shall constitute a “written agreement” in such regard between each Lender and the Administrative Agent within the meaning of applicable AML Legislation; and
- (b) shall provide to each Lender copies of all information obtained in such regard without any representation or warranty as to its accuracy or completeness.

Notwithstanding the preceding sentence and except as may otherwise be agreed in writing, each of the Lenders agrees that the Administrative Agent has no obligation to ascertain the identity of the Borrower or any authorized signatories of the Borrower on behalf of any Lender, or to confirm the completeness or accuracy of any information it obtains from the Borrower or any such authorized signatory in doing so.

#### **9.6 Acknowledgement and Consent to Bail-In of Affected Financial Institutions.**

Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and
- (b) the effects of any Bail-In Action on any such liability, including, if applicable:
  - (i) a reduction in full or in part or cancellation of any such liability;
  - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
  - (iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any applicable Resolution Authority.

### **9.7 Survival.**

All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. Sections 2.13, 2.14, 2.15, 9.3 and Article 8 shall survive and remain in full force and effect, regardless of the consummation of the Transactions, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

### **9.8 Execution.**

(1) This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall be deemed to constitute one and the same instrument. Counterparts may be executed either in original or faxed or other electronic form and the parties adopt any signatures received by a receiving fax machine or via e-mail as original signatures of the parties.

(2) Delivery of an executed counterpart of a signature page of this Agreement or any other Loan Document by telecopy, emailed pdf. or any other electronic means that reproduces an image of, or otherwise constitutes, the actual executed signature page shall be effective as delivery of a manually executed counterpart. The words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to any document to be signed in connection with this Agreement or any other Loan Document and the transactions contemplated hereby shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law; provided that nothing herein shall require the Administrative Agent to accept Electronic Signatures in any form or format without its prior written consent.

(3) Each Party agrees that, at any time, the Administrative Agent and each Lender may convert paper records of this Agreement, the other Loan Documents and all other documentation delivered to the Administrative Agent hereunder in such capacity (each, a “Paper Record”) into electronic images (each, an “Electronic Image”) as part of the Administrative Agent’s or Lender’s, as applicable, normal business practices. Each party hereto agrees that each such Electronic Image shall be considered as an authoritative copy of the Paper Record and shall be legally binding on the parties and admissible in any legal, administrative or other proceeding as conclusive evidence of the contents of such document in the same manner as the original Paper Record.

### **9.9 Entire Agreement.**

This Agreement (together with the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent), constitutes the entire agreement between the parties pertaining to the subject matter of this Agreement and supersedes all prior agreements,

understandings, negotiations and discussions, whether oral or written. There are no conditions, warranties, representations or other agreements between the parties in connection with the subject matter of this Agreement (whether oral or written, express or implied, statutory or otherwise) except as specifically set out in this Agreement or in such other applicable agreements.

#### **9.10 Severability.**

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such prohibition or unenforceability and shall be severed from the balance of this Agreement, all without affecting the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

#### **9.11 Right of Set Off.**

If an Event of Default shall have occurred and be continuing (but subject always to Section 2.16(4)), each Secured Party is hereby authorized at any time and from time to time, to the fullest extent permitted by Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Secured Party to or for the credit or the account of any Credit Party against any of and all of the obligations of the Credit Parties now or hereafter existing under the Loan Documents held by such Secured Party, irrespective of whether or not such Secured Party shall have made any demand under any Loan Document and although such obligations may be unmaturing and regardless of the currency of the deposit; provided that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent, the Issuing Bank, and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the obligations owing to such Defaulting Lender as to which it exercised such right of setoff. The applicable Lender shall notify the Borrower and the Administrative Agent of such set-off or application, provided that any failure to give or any delay in giving such notice shall not affect the validity of any such set-off or application under this Section 9.11. The rights of each Secured Party under this Section 9.11 are in addition to other rights and remedies (including other rights of set off) which such Secured Party may have.

#### **9.12 Governing Law.**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in that Province and shall be treated, in all respects, as an Ontario contract.

#### **9.13 Attornment.**

Each party hereto agrees (a) that any action or proceeding relating to this Agreement may (but need not) be brought in any court of competent jurisdiction in the Province of Ontario, and for that purpose now irrevocably and unconditionally attorns and submits to the jurisdiction of such Ontario court, (b) that it irrevocably waives any right to, and shall not, oppose any such Ontario action or proceeding on any jurisdictional basis, including forum non conveniens, and (c) not to oppose the enforcement against it in any other jurisdiction of any judgment or order duly obtained from an Ontario court as contemplated by this Section 9.13.

#### **9.14 Service of Process.**

Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 9.1. Nothing in this Agreement shall affect the right of any Party to serve process in any other manner permitted by Law.

#### **9.15 WAIVER OF JURY TRIAL.**

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (a) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (b) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.15.

#### **9.16 Confidentiality; Press Releases and Public Announcements.**

Each of the Administrative Agent, the Issuing Bank and each Lender shall maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to each of their Affiliates, Lender Affiliates (in the case of a Lender) directors, officers, employees, agents and advisors, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any rating agency, credit bureau, regulatory authority or other Governmental Authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies under any Loan Document or any suit, action or proceeding relating to any Loan Document or the enforcement of rights thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 9.16, to (i) any actual or prospective assignee of or Participant in any of its rights or obligations under this Agreement, or (ii) any actual or prospective counterparty (or its advisors) to any Hedge Arrangement relating to the Borrower and its obligations, (g) to their auditors in connection with any audit, (h) with the consent of the Borrower, or (i) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section 9.16, or (ii) becomes available to the Administrative Agent, the Issuing Bank, or any Lender on a non-confidential basis from a source other than the Borrower. For the purposes of this Section 9.16, “**Information**” means all information received from any Credit Party relating to any Credit Party, any of their subsidiaries or Affiliates, or their respective business, other than any such information that is available to the Administrative Agent, the Issuing Bank, the Arranger, or any Lender on a non-confidential basis prior to disclosure by such Credit Party; provided that, in the case of information received from a Credit Party after the date hereof, such information is clearly identified as confidential in writing at the time of delivery. Any Person required to maintain the confidentiality of Information as provided in this Section 9.16 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. The Borrower agrees that it will not issue any press release or make any other kind of public announcement or filing, or consent to the issuance of any press release or the making of any other kind of public announcement or filing, regarding this Agreement

and the terms contained herein unless the text of any such release, announcement or filing, and the time and manner in which such release, announcement or filing is made, has been approved by the Administrative Agent, except to the extent required by applicable Law (in which case the Borrower shall make all commercially reasonable efforts to provide advance notice of such release or announcement to the Administrative Agent and consult with the Administrative Agent as to the content thereof). The Borrower acknowledges that the public disclosure of the pricing in the Applicable Margin definition would violate this confidentiality provision, and the Lenders confirm that would result in serious prejudice to the Borrower by virtue of a negative impact to its relationship with the Lenders. The Borrower authorizes the Administrative Agent, following the initial advance hereunder and at the Lender's expense, to announce and use for marketing purposes the establishment of the Commitments, provided that the Borrower shall be provided an opportunity to review and approve the announcement before it is made. Blake, Cassels & Graydon LLP may inform league table services, such as Thomson Reuters and Bloomberg, and make mention in its promotional publications and the media generally of its representation of the Lender with respect to the Transactions.

#### **9.17 Application under the CCAA.**

The Borrower acknowledges that its business and financial relationships with the Administrative Agent and Lenders are unique from its relationship with any other of its creditors. The Borrower shall not file any plan of arrangement under the "*Companies' Creditors Arrangement Act* (the "**CCAA Plan**") which provides for, or would permit, directly or indirectly, the Administrative Agent or the Lenders to be classified in the same class with any other creditor of the Credit Parties for purposes of such CCAA Plan.

#### **9.18 No Strict Construction.**

The parties hereto have participated jointly in the negotiation and drafting of this Agreement. If 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 favouring or disfavouring any Party by virtue of the authorship of any provisions of this Agreement.

#### **9.19 Release of Security.**

- (a) *Asset Disposals.* Upon request from time to time by the Borrower, the Administrative Agent shall, at the expense of the Borrower, execute and deliver such releases and discharges of Security and authorizations to register discharges of registrations thereof as the Borrower may reasonably request in order to discharge the Security over specific items of Collateral disposed of by a Credit Party as permitted by the provisions of the Loan Documents and registrations thereof; provided that the Administrative Agent shall not be obliged to execute and deliver any such release and discharge or authorization pursuant to this Section 9.19(a) at any time an Event of Default has occurred and is continuing.
- (b) *Full Discharge.* On or subsequent to the Termination Date, the Administrative Agent shall, at the request and expense of the Borrower, execute and deliver such releases and discharges of the Security and authorizations to discharge registrations thereof as the Borrower shall reasonably request.
- (c) *Supplemental Release Documentation.* In connection with any release required pursuant to Section 9.19(a) or (b), the Administrative Agent shall also execute and deliver (at the expense of the Borrower) to the Borrower all such other documents and instruments as

the Borrower shall reasonably request and which are required as a matter of law to release or reconvey (without representation or warranty by, or recourse of any nature or kind against, the Administrative Agent) to a Credit Party any and all Collateral that is being released from the Security.

Upon the written request of, and at the expense of, the Borrower, the Administrative Agent will release and discharge the Liens constituted by the Security Documents to the extent necessary to enable a Credit Party to complete any asset disposition which is not prohibited by this Agreement or the other Loan Documents.

#### **9.20 Paramountcy.**

In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of any other Loan Document then, notwithstanding anything contained in such other Loan Document, the provisions contained in this Agreement shall prevail to the extent of such conflict or inconsistency and the provisions of such other Loan Document shall be deemed to be amended to the extent necessary to eliminate such conflict or inconsistency, it being understood that the purpose of the other Loan Documents is (a) to add to, and not detract from, the panoply of rights granted to the Administrative Agent (for its own benefit and the benefit of the other Secured Parties) under this Agreement. If any act or omission of any or all Credit Parties is expressly permitted under this Agreement but is expressly prohibited under any other Loan Document, such act or omission shall be permitted. If any act or omission is expressly prohibited under any other Loan Document, but this Agreement does not expressly permit such act or omission, or if any act is expressly required to be performed under any other Loan Document but this Agreement does not expressly relieve any or all Credit Parties from such performance, such circumstance shall not constitute a conflict or inconsistency between the applicable provisions of such other Loan Document and the provisions of the Credit Agreement.

#### **9.21 Excluded Swap Obligations.**

Notwithstanding anything to the contrary contained herein or in any other Loan Document, any Excluded Swap Obligations of a Guarantor shall be excluded from:

- (a) the definition of "Secured Liabilities" in any Loan Document as it pertains to such Guarantor, and no Lien granted by a such Guarantor under any Loan Document shall secure any Excluded Swap Obligations; and
- (b) the definition of "Debtor Liabilities" in the Credit Party Guarantee as it pertains to such Guarantor, and no Excluded Swap Obligations shall be guaranteed or indemnified by such Guarantor under any Loan Document.

#### **9.22 No Advisory or Fiduciary Responsibility.**

(1) The Borrower acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that no Lender will have any obligations hereunder except those obligations expressly set forth herein and in the other Loan Documents and each Lender is acting solely in the capacity of an arm's length contractual counterparty to the Borrower with respect to the Loan Documents and the transaction contemplated therein and not as a financial advisor or a fiduciary to, or an agent of, the Borrower or any other person. The Borrower agrees that it will not assert any claim against any Lender based on an alleged breach of fiduciary duty by such Lender in connection with this Agreement and the transactions

contemplated hereby. Additionally, the Borrower acknowledges and agrees that no Lender is advising the Borrower as to any legal, tax, investment, accounting, regulatory or any other matters in any jurisdiction. The Borrower shall consult with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and the Lenders shall have no responsibility or liability to the Borrower with respect thereto.

(2) The Borrower further acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that any Lender may be a full-service securities or banking firm engaged in securities trading and brokerage activities as well as providing investment banking and other financial services. In the ordinary course of business, any Lender may provide investment banking and other financial services to, and/or acquire, hold or sell, for its own accounts and the accounts of customers, equity, debt and other securities and financial instruments (including bank loans and other obligations) of, the Borrower, its Subsidiaries and other companies with which the Borrower or any of its Subsidiaries may have commercial or other relationships. With respect to any securities and/or financial instruments so held by any Lender or any of its customers, all rights in respect of such securities and financial instruments, including any voting rights, will be exercised by the holder of the rights, in its sole discretion.

(3) In addition, the Borrower acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that each Lender and its affiliates may be providing debt financing, equity capital or other services (including financial advisory services) to other companies in respect of which the Borrower or any of its Subsidiaries may have conflicting interests regarding the transactions described herein and otherwise. No Lender will use confidential information obtained from the Borrower by virtue of the transactions contemplated by the Loan Documents or its other relationships with the Borrower in connection with the performance by such Lender of services for other companies, and no Lender will furnish any such information to other companies. The Borrower also acknowledges that no Lender has any obligation to use in connection with the transactions contemplated by the Loan Documents, or to furnish to the Borrower or any of its Subsidiaries, confidential information obtained from other companies.

### **9.23 LIMITATION OF LIABILITY.**

NO CLAIM MAY BE MADE BY ANY CREDIT PARTY, ANY SECURED PARTY OR ANY OTHER PERSON AGAINST ANY INDEMNITEE ON ANY THEORY OF LIABILITY, FOR SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES (AS OPPOSED TO DIRECT OR ACTUAL DAMAGES) ARISING OUT OF, IN CONNECTION WITH, OR AS RESULT OF, ANY LOAN DOCUMENT, THE TRANSACTIONS, OR ANY ACT, OMISSION OR EVENT OCCURRING IN CONNECTION THEREWITH, AND EACH CREDIT PARTY AND SECURED PARTY HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ALL SUCH CLAIMS, WHETHER OR NOT ACCRUED AND WHETHER OR NOT KNOWN OR SUSPECTED TO EXIST IN ITS FAVOUR

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the date first above written.

[signatures on the next following pages]

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**CANADIAN IMPERIAL BANK OF COMMERCE,**  
as Administrative Agent, Lender and Issuing Bank

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**FARM CREDIT CANADA, as Lender**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT 21.1****Village Farms International, Inc.**

<b>Subsidiary Name</b>	<b>State or Country of Organization</b>	<b>Owned by Village Farms International, Inc.</b>
VF Clean Energy, Inc.	Canada	100.0%
Village Farms Canada GP Inc.	Canada	100.0%
Village Farms Canada Limited Partnership	British Columbia	1.0%
Village Farms Canada Limited Partnership	British Columbia	99.0%
VF Operations Canada Inc.	Canada	100.0%
VF U.S. Holdings Inc.	Delaware	100.0%
Balanced Health Botanicals, LLC	Colorado	100.0%
Agro Power Development, Inc.	Delaware	100.0%
Village Farms of Delaware, L.L.C.	Delaware	100.0%
Village Farms, L.P.	Delaware	1.0%
Village Farms, L.P.	Delaware	99.0%
Village Fields Hemp USA LLC	Delaware	65.0%
Pure Sunfarms Corp.	Canada	100.0%
Rose Lifescience Inc.	Canada	80.0%
Leli Holland B.V.	Netherlands	100.0%

*Consent of Independent Registered Public Accounting Firm*

We consent to the incorporation by reference in the registration statement No.333-280572 on Form S-3 and registration statements (Nos. 333-257001 and 333-230298) on Form S-8 of our reports dated March 12, 2026, with respect to the consolidated financial statements of Village Farms International, Inc. and the effectiveness of internal control over financial reporting.

**/s/KPMG LLP**

Orlando, Florida

March 12, 2026

## Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-257001) and Form S-3 (No. 333-280572) of Village Farms International, Inc. of our report dated March 13, 2024, except for the effects of the change in composition of reportable segments and change in segment profit measure discussed in note 14 (not presented herein) to the consolidated financial statements appearing under item 15 of the Company's 2024 annual report on Form 10-K, as to which the date is March 13, 2025, and except for the effects of discontinued operations discussed in note 10 to the consolidated financial statements, as to which the date is March 12, 2026, relating to the financial statements.

/s/PricewaterhouseCoopers LLP

**Chartered Professional Accountants**

Vancouver, Canada

March 12, 2026

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael A. DeGiglio, certify that:

1. I have reviewed this annual report on Form 10-K of Village Farms International, Inc. for the year ended December 31, 2025;
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, 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.

March 12, 2026

/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 annual report on Form 10-K of Village Farms International, Inc. for the year ended December 31, 2025;
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, 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.

March 12, 2026

/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 annual report of Village Farms International, Inc., (the "Company") on Form 10-K for the year ended December 31, 2025, 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.

March 12, 2026

/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 annual report of Village Farms International, Inc., (the "Company") on Form 10-K for the year ended December 31, 2025, 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.

March 12, 2026

/s/ Stephen C. Ruffini

Name: Stephen C. Ruffini  
Title: Chief Financial Officer  
(Principal Financial Officer)