



2020 BENEFIT CORPORATION ANNUAL REPORT

About Breeder's Best

Breeder's Best (BB) is a California based Cannabis genetics intellectual property (IP) company organized as a Benefit Corporation, incorporated on December 2, 2019. The largest shareholders of Breeder's Best (those who hold more than 5 percent of the company) are Dale Hunt, Ethan Russo, and BioAgronomics Group. All additional team members have minority equity stakes below 5 percent.

BB's mission is to connect the best Cannabis genetics to the most promising commercial opportunities in a way that preserves economic viability of the independent Cannabis breeder, while facilitating an increase in the genetic diversity of commercial Cannabis products for the benefit of consumers. Currently, there exists a critical disconnect in the Cannabis industry that we endeavor to overcome:

1. On one end are independent breeders whose creative passion and life's work has yielded a great diversity of unique genetics not available in the market. This group of breeders is essentially our R&D department.
2. At the other end of this disconnect are the nurseries, farmers and manufacturers looking for superior genetics and chemical profiles.

As the Cannabis industry evolves and matures, unique varieties of Cannabis become more valuable thus attracting big business. Independent Cannabis breeders are at risk for having their work stolen, unintentionally usurped by another or go unnoticed because they do not have the needed capital nor network to establish their business. IP protection provides certain important benefits for breeders but is often out of their reach because it is a large expense. BB covers that expense for approved varieties and facilitates the IP process for the breeder who, as the inventor, remains the owner of the patent. BB receives in exchange an exclusive license to market the variety (sometimes called strain or cultivar). BB's exclusivity is maintained by meeting certain performance measures including minimum royalties paid to the breeder. This model serves to protect breeders and give them access to scalable markets around the world, most of whom would not otherwise be able to get access.

There is relatively little meaningful interaction among Cannabis breeders with the production and manufacturing side of the industry. When they do find each other, they often have additional challenges because they do not have established successful models

for working with each other. BB bridges that gap: we work with all parties and serve as a bridge between breeders, growers and manufacturers. In that capacity, BB can provide superior genetics to growers and manufacturers. In turn, they can deliver more diverse products to the marketplace. **Our business model will 'raise the bar' for the Cannabis industry, with greater emphasis on agronomic best practices, science, quality, data, and safety, while contributing to the financial health of the breeder community.**

Foundational Principles

- BB incorporated as a B Corp to enshrine our commitment to Cannabis breeders. This commitment benefits all our stakeholders and the long-term stability and success of the company.
- Cannabis is a highly valuable medicinal plant that offers tremendous potential for improving the human condition, as well as offering a myriad of animal and industrial applications.
- Of the roughly 10 cannabinoids whose effects on the human endocannabinoid system are at least somewhat understood, each different cannabinoid has a different constellation of effects. The future of medicine lies in understanding the effects of the other less studied and as-yet undiscovered cannabinoids and harnessing their effects.
- Through traditional breeding techniques, Cannabis varieties can be developed to meet diverse demands for human, animal, and industrial applications.
- Harnessing the full capabilities of the plant for good requires the contributions of Cannabis breeders who, through science and art, cause the plant to produce new beneficial chemical combinations that have great commercial value.
- The largely untapped community of independent Cannabis breeders represents a vast resource for development of new genetics; our model places them at the core of our success and the foundation of our business.
- We seek to work in all situations with the highest standards of ethics and respect for the breeders, nurseries, growers, and users of the very special Cannabis varieties created by our breeders.

2020 A Start Up Year

Breeder's Best started creating its internal framework (operational systems, marketing, breeder outreach) and fundraising in early 2020. About the time we gained momentum, COVID-19 became a pandemic, which made fundraising challenging and impacted the execution of our business plan. Nonetheless, we focused on building out the portions of our business that we could with minimal funding, identifying key relationships with breeders and important partners.

BB used the B Lab online assessment tool found at <https://www.bimpactassessment.net> to meet the State of California Benefit Corporation annual reporting requirements. This tool was the best third-party assessment tool for BB considering that BB intends to apply for certification from B Lab at some point in the future; most likely in 2023.

B Lab is a non-profit entity that certifies B corporations and provides assessment and benchmarking tools for those companies aiming to get certified. Currently there are 3,900 certified B Corps in 70 countries in 150 different industries.

BB's first B Lab Assessment Score is 25.5 out of 200. While this indeed leaves much room for improvement, we are pleased with our progress in 2020 and are looking forward to making much more progress in 2021. To put our score into perspective, the median best score for the worldwide honoree is 131 points and the average for our sector, which is agricultural, is a 76.5. To qualify for certification companies must meet a minimum score of 80.

B Lab has four ranges for grading B Corporations which are as follows: Good (0-49 points), Great (50-99 points), Outstanding (100-149 points) and Extraordinary (150-200). B Lab assess companies on the following categories:

environment, governance, employees, customers and community. Below is an explanation of each category and how BB performed.

B Lab Assessment Scores		
Impact Area	BB	AG Sector
Governance	7.1	5.8
Customers	0.9	2.4
Workers	8.7	16.3
Community	8.3	13.8
Environment	2.6	11.8
Overall Score	28.2	76.5

For our inaugural assessment, we found that many of the questions posed either did not apply to us or we were not yet far along enough in the development of our business to have the processes and policies in place to address the assessment metric. Nonetheless, the process has been invaluable to us in terms of seeing what we have done and to get us brainstorming and planning for the future!

Governance (7.1)

The Governance Impact Area evaluates the company's overall mission, ethics, accountability and transparency through topics such as integration of social and environmental goals in employees' performance evaluation, impact reporting and transparency, stakeholder engagement, and more. BB exceeded the sector average of 5.8 for governance with its score of 7.1. At BB, our team is deeply committed to our mission of benefiting breeders and getting superior genetics into the marketplace to benefit the supply chain and ultimately consumers. In our start-up phase, BB has functioned transparently with our team, potential breeder partners, and investors; at every decision point we have chosen to make operational decisions based on the totality of the impact of those decisions versus just how the choice impacts profitability.

Customers (1.3)

The Customers Impact Area evaluates the value that a company creates for direct customers and the consumers of your products or services through topics such as ethical

and positive marketing, warranty and quality assurance of products and services, data privacy, data security, and more. BB scored a 1.3 against the average score of 2.1. This score will increase automatically when we make our first commercial deal. Many of the questions in this section did not apply to us simply because we did not have any customers in 2020. Prior to completing the B Lab assessment BB considered our breeders as our partners and those who out-license their genetics to be our customers. Through the assessment process, however, we are expanding our thinking to also see our breeders as both customers and partners. More than anything, BB is a service business. We are connecting opposite ends of the marketplace and endeavor to do it in a thoughtful, ethical and transparent way. In late 2020, we found that due to the pandemic the lack of in-person events were hampering our ability to network with breeders. Our solution to this challenge was to establish a monthly breeder-focused video conference to make sure prospective and signed breeders are well informed about BB's progress and to ensure we had a way for breeders to discuss their needs.

Workers (8.4)

The Workers Impact Area evaluates the company's contribution to its employees' financial, physical, professional, and social well-being through topics such as payment of a living wage, benefits, employee health and safety, professional development opportunities, and more. BB scored an 8.7 against the sector average of 16.3. In 2020 our team worked for equity and deferred compensation. We expect significantly improved scores in the years to come as we raise additional capital and initiate sales and grow our team.

Community (8.3)

The Community Impact Area evaluates the company's contribution to the economic and social well-being of the communities in which it operates, through topics such as diversity and inclusion, job creation, civic engagement and philanthropy, supply chain management, and more. BB scored an 8.3 against the sector average of 13.8. The B Lab assessment seems to take the term "community" to be more of a geographic term whereas for BB our community is made up of Cannabis breeders from all over the U.S. and eventually the globe. We take great pride in our relationships within the breeder community, and we are excited about all the ways we can support this community in the future to provide exciting economic opportunities as well as education.

We are also proud that many of our breeders are women and a growing number of our breeders are military veterans. In light of the Black Lives Matter protests and the murder of George Floyd, we met as a team to discuss how we will actively reach out to breeders of color, seek more diversity on our team, our Board, and our Scientific Advisory Board. Additionally, members of our team are actively involved in organizations that address the need for social equity in our industry and we actively have identified ways our company can be more sensitive to this issue. We are excited about giving life to these plans and commitments in 2021.

Environment

The Environment Impact Area evaluates the company's overall environmental stewardship, including how the company manages general environmental impacts as well as specific topics like climate, water use and sustainability, and impacts on land and life. Breeder's Best is a decentralized company with team members across the country. BB scored a 2.6 against the sector average of 11.8. This score does not reflect our commitment and concern for the environment. However, the questions in this section largely did not apply to us because we were not in operation in 2020, but in start-up mode. For example, here is a representative question for this section, "During the last fiscal year, what percentage of your products sold had a product certification that assesses the environmental impacts of the product or its production process? We could not answer that because we had no sales in 2020. Another good question example is, "How does your company minimize the environmental impact of the packaging of your products?" In 2020 we did not package anything, but when we formed, we purchased business cards made with environmentally friendly ink printed on hemp paper. Nonetheless, the questions have been helpful in identifying policies we want to implement as our company develops. We are proud to say that the majority of BB 2020 travel was done in an electric vehicle.

Goals for 2021 & Beyond

BB chose the Benefit Corporation as its organizational vehicle to have the legal protection to think far beyond quarterly profits incorporating a more holistic approach to our business – one that cares about people and the planet as well as profit. While we have been

"Certified B Corporations (B Corps or B Corporations for short) are leaders of a global movement of people using business as a force for good. B Corps are for-profit businesses throughout the globe that have earned B Corp certification. B Corps are certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency. B Corp certification is to business what Fair Trade certification is to coffee or USDA Organic certification is to milk."

– B Lab

focused in 2020 on building the framework for our business and identifying breeders with interesting genetics who like our model and find benefit in working with us, we see 2021 as the year we will prove our model.

Using the metaphor of building a house, 2020 was the year we laid the foundation and framed the house. In 2021 we will put on the roof, add electricity, plumbing, sheetrock, decorate, furnish and move-in.

Ironically, B Lab does not allow Cannabis companies to apply for certification but allows Cannabis companies to utilize their assessment tool as we have done to create this report. BB is hopeful this will change in the future as one day we wish to join the ranks of over 3,900 other companies who have been certified by B Lab. In the meantime, we are using the

B Lab assessment questionnaire to guide our goal setting, policy and procedure making. The following are BB's basic goals for 2021.

- Sign a minimum of 5 breeders with diverse backgrounds and ethnicities, including men and women.
- Move from being a pre-revenue to a revenue-producing company.
- Write our first royalty checks to all signed breeders.
- Launch lines of Veteran and Women-bred Cannabis genetics lines.
- Launch a Veteran retail branded line of Cannabis.
- Refresh our board of directors with an emphasis on diversity.
- Actively participate in the breeder community through speaking and educational outreach including seeking out opportunities to support breeders of color and similarly focused Cannabis organizations.
- Establish a highly diverse Scientific Advisory Board.
- Implement our agronomic trialing program.
- Establish supply chain guidelines that encourage and promote environmentally sustainable practices throughout the BB supply chain and to its licensees.
- Create written standards/policies for:
 - Job descriptions that include social and environmental performance metrics.
 - Tracking customer satisfaction (breeders, nursery partners, growers and manufactures).
 - Tracking customer complaints and establish a resolution process.
 - Environmental guidelines for our staff and supply chain partners.
 - Purchasing marketing and packaging material that is environmentally responsible.

We intend for our score to at least double in 2021 and we believe that by our third assessment we will achieve a score of 80 or better, which is the minimum score to qualify to be certified. By 2023 we are hopeful the damaging laws of federal Cannabis prohibition will have ended so that BB can scale far beyond California state lines, and B Lab will change its policy against certifying companies in our industry making it possible for BB to get certified. Regardless, BB's commitment to being a socially and environmentally responsible company that treats its stakeholders thoughtfully and fairly will endure!