



## 2021 BENEFIT CORPORATION ANNUAL REPORT

*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.*

Breeder's Best is a California based Cannabis genetics IP company organized as a Benefit Corporation, incorporated on December 2, 2019. Breeder's Best's largest shareholders (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.

*"I started Breeder's Best out of the hope Breeder's Best will deliver new medicines to patients worldwide while supporting family farms and traditional plant breeders."*

Dale Hunt, PhD, JD  
Founder & CEO

State law requires all California registered B Corporations to conduct a third-party company assessment and post a report detailing the outcome of the assessment on the company website. For the second year, Breeder's Best utilized the B Lab Online assessment tool (<https://www.bimpactassessment.net>) to meet this requirement. Last year was the first year for Breeder's Best to file a B Corporation Assessment, receiving a score of 28.2 on a 200-point scale.

Companies who wish to become B Lab Certified cannot apply until they have reached a minimum score of 80.

To put this into perspective, the median best score for worldwide honorees (the best-of-the-best) is 131. Customarily, it takes at least three years from incorporation for a company to be ready to apply for certification.

### 2021 Assessment Review

Breeder's Best scored a 32.6 in its 2021 assessment, a 4.4 point improvement over 2020. Hampered again by the global pandemic, the company did not achieve its stated goals but successfully made progress in many important areas. The biggest barrier to growth in 2021 was the lack of access to capital brought on by the fact that most of the cannabis investors were either in a COVID-induced holding pattern that left them sitting on the sidelines of the market or investing in public businesses. Knowing it would be months before that changed, the Breeder's Best team made the strategic decision to focus solely on proving the Breeder's Best business model. This meant that we were laser focused on completing exclusivity agreements with breeders, getting their genetics into our partner nurseries facilities, and preparing those plants for cloning. The groundwork laid in 2021 has opened the door for licensing genetics in 2022.

A highlight of 2021 was securing agreements with five breeders to exclusively represent their genetics. We are proud to say one of our breeders is a veteran, one an independent female breeder and we have a mother/son breeding team.

Securing these agreements was a major milestone. While our team would have preferred to have moved more quickly, it is important to remember that there are no full-time employees of Breeder’s Best, and the majority of the team are working for deferred compensation and equity in the business.

Conducting this annual assessment is a great way to see where we are making progress and it is helpful in terms of goal setting. The assessment software automatically deleted the Workers section from the 2021 report because we had no full-time paid employees. In 2021, we were pleased to increase our overall score and yet, we see opportunities for improvement.

B Lab Assessment Scores			
Impact Area	BB 2020	BB 2021	AG Sector
Governance	7.1	4.5	5.8
Customers	0.9	0.4	2.4
Workers	8.7	-----	16.3
Community	8.3	25.2	13.8
Environment	2.6	2.5	11.8
Overall Score	28.2	32.6	76.5

**Governance (4.5)**

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. Our score slipped in this area due to the way we answered the questions about board governance. The company opted to not have the active board meetings but kept board members up to date via email and personal conversation.

**Customers (0.4)**

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. The questions in this section did not fit with our business this year. We did not have customers per se in 2021, which is why the rating dropped from .9 to .4. In 2022, this metric will increase considerably as a result of signed material transfer agreements.

## Community (25.2)

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. This is the strongest area of growth for Breeder's Best. At Breeder's Best we look at community differently. It is not defined by geographic location but a group of people – our cannabis breeders. The company exists because of them; we exist to assist them with commercializing their art in a way that prospers them economically.

We are proud to say that we had five breeder outreach meeting via Zoom to cover topics important to the breeders. For example, one topic was about cannabigerol (CBG) and the recent peer reviewed journal article published by our medical director, Dr. Ethan Russo. Such presentations are intended to help breeders become informed about market trends for their own breeding targets. Another important factor in the significant score increase is the increased role women are playing in the company.

## Environment (2.5)

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. Because Breeder's Best is a decentralized company, we don't have an office and we don't have products that require packaging and thus, we were unable to answer many of the questions in this section which in part is why our score is low. It is not clear why this year's score dropped a tenth of a point. The entire team cares about the environment and collectively does what we can to recycle and reuse products to actively reduce waste. Our CEO drives an electric vehicle on his road trips to meet with breeders.

## Moving Forward

Admittedly, Breeder's Best did not make as much progress on its 2021 assessment as we anticipated. Nonetheless there were several important goals achieved including signing five breeders to exclusive representation, getting their cultivars into our nursery partners facility and

*"I believe in the mission of Breeder's Best because it is the sole organization devoted to the support of independent cannabis breeders, with the intent to increase the therapeutic value of cannabis-based medicines to patients and do so with conventional (non-GMO) techniques in an environmentally responsible manner, and in support of organic regenerative agriculture."*

Ethan Russo, M.D., Medical Director

into California's track-and-trace system, METRC. These are pivotal achievements that have laid the groundwork to reach important milestones in 2022.

*"Breeder's Best is a bold idea coming of age before us. I am committed to it because it has great economic promise to lift-up the independent cannabis breeder while opening the doors to innovation for the whole industry positively impacting a triple or even quadruple-bottom line."*

Nishi Whiteley  
Director of Operations

**Top priorities for 2022 are:**

1. Sign license agreements for each cultivar in the library.
2. Write the first royalty checks to breeders.
3. Have 2 board meetings.
4. Conduct at least 1 seminar for breeders of color about the value of plant IP.
5. Sign at least two breeders of color to exclusivity.
6. Prove the Breeder's Best model in a way that positions the company for a small capital raise.

Licensing cannabis genetics is becoming increasingly more common and better understood. This bodes well for the future of Breeder's Best. We have an excellent team, top-notch cannabis breeders, exceptional unique genetics, and we are building demand and starting to get noticed. We are optimistic 2022 will set the

foundation for becoming revenue positive in 2023!