



## 2022 BENEFIT CORPORATION ANNUAL REPORT

*“Protecting rare and unique genetics, on behalf of the breeder and helping them find lucrative commercial opportunities is an efficient way to generate value throughout the cannabis supply chain while at the same time improving access to therapeutic molecules for consumers. This creates more value and opportunity for all.”*

Dale Hunt, PhD, JD  
 Founder & CEO

Organized as a California based Benefit Corporation, Breeder’s Best (BB) was incorporated December 2, 2019. BB exists 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, industry and biodiversity.

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.

This report meets the state law requirement that all California registered B Corporations conduct a third-party company assessment and post a report detailing the outcome of the assessment on the company website. Breeder’s Best has utilized the [B Lab Assessment Tool](#) to meet this requirement since incorporation.

Impact Area	BB 2020	BB 2021	BB 2022	AG Sector
Governance	7.1	4.5	16.7	5.8
Customers	0.9	0.4	2.4	2.4
Workers	8.7	-----	-----	16.3
Community	8.3	25.2	21.6	13.8
Environment	2.6	2.5	4	11.8
Overall Score	28.2	32.6	44.8	76.5

We are proud to report the 2022 B Lab score is 44.8, up from 32.6 in 2021 and 28.2 in 2020.

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 for apply for certification.

Unfortunately, B Lab does not yet provide certification to companies in the cannabis industry. We remain hopeful this will change. Regardless, the third-party assessment process provides

great value to us in identifying good corporate governance practices and the metrics by which we wish to evaluate success in the future beyond the bottom line.

It is important to note that many of the questions in the Agriculture Industry sector do not directly apply to Breeder's Best and therefore negatively impact our score, but it remains a worthy process.

## 2022 Assessment Review

Breeder's Best scored a 44.8 in its 2022 assessment, which is a 12.2 point improvement over 2021. Even though BB is in its third year, it remains a start-up in most respects. Because of the global pandemic in 2020, followed by huge crashes in the cannabis market of late 2021 and now rising interest rates, we have not aggressively pursued fundraising. Instead, we have operated on a shoestring budget and the sheer will of a deeply committed volunteer team. In 2021 the following were listed as top priorities for 2022:

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. X
5. Sign at least two breeders of color to exclusivity. X
6. Prove the Breeder's Best model in a way that positions the company for a small capital raise.

The big success of 2022 was proving our model by publicly releasing seven novel [exclusive Cannabis varieties in our first catalog](#) and signing a series of test-grow and commercial licenses. Proving our model has been at the core of our fundraising strategy. Four of the six goals listed above were achieved. While it did not work out for us to conduct a seminar for breeders of color about IP, we met with one group to whom we made the offer, but it did not come to pass for a variety of reasons. We continue to look for genetics bred by people of color. We engaged in a substantive conversation with one qualifying breeder with whom we hope to work in the future. Even though we did not meet these two goals, being mindful of them has generated opportunities to work with a more diverse group of people in the supply chain.

## Governance (16.7)

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.

The score in this section increased significantly in 2022. That can be attributed to the fact that the 2021 assessment process helped us see we needed better corporate governance procedures



in place such as having regular board meetings. Having more interaction with the board has been helpful, especially in terms of preparing for fundraising.

### 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. As in years past, the questions in this section did not fit with our business. This section of the assessment is focused on serving the underserved and while we consider our breeders to be underserved, they do not fit the definition for which the assessment measures. 2022 was the first year we have traditional customers. This could be what led to a 2-point increase in the category.

### Community (21.6)

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. It is not clear why we dropped three points in this section. Again, the assessment questions are geared to a different type of business than BB and thus many of the questions were not always relevant to us. At Breeder's Best we look at community differently. It is not defined by geographic location but a group of people – our cannabis breeders.

We were proud to get to connect with a handful of our partners at the CannMed conference in May 2022 where multiple members of our team were featured speakers, and participated in interviews with [Cannabis 101 Radio](#) and [Coffee Talk podcast](#). In the summer, we gave a [free webinar](#) for the industry about the cannabinoid THCV as a way to raise awareness about this rare therapeutic molecule and promote our exclusive Pink Boost Goddess Cultivar rich in THCV. Our Medical Director, [Dr. Ethan Russo](#) gave an excellent presentation highlighting the existing science around the therapeutic uses of THCV.

*“For years we’ve seen the genetic diversity in the cannabis market decline. Cannabis offers so much that it’s our responsibility to ensure consumer’s needs are being met. This dilemma creates numerous opportunities for breeder of novel cultivars to help shape the market of the future. This is why I joined Breeder’s Best. I truly believe the cultivars of the future will encompass a broad spectrum of effects and only then will we see the industry blossom.”*

Mojave Richmond, Cannabis Breeder & Head of Horticulture



## Environment (4)

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. Many of the questions in this section are geared towards on-site waste management, water conservation and handling of hazardous materials. We are a decentralized company without an office nor standard physical products (the license to grow a plant is our product) that require packaging. Nonetheless, we improved this score from the prior year by 1.5 points. Although the cannabis industry is water intensive and bad operators can negatively impact the environment we prefer to work with breeder and growers who follow good agricultural practices (GAP). Many of our partners go beyond GAP and follow regenerative, organic and or biodynamic practices.

## Moving Forward

Each year is an important building block in the foundation of this company. We are pioneering something (licensing genetics) that is new to our industry but has been a proven model in the horticulture industry. This, like all entrepreneurial ventures, takes time, money, patience and luck. 2022 was a brutal year for our industry. Many did not survive. The lessons from those who have had to sell or close provide great wisdom to us as we continue to build something we hope will be sustainable.

In 2023, we strive to accomplish the following:

1. Have active commercial licenses for all seven cultivars in the library.
2. Expand outside of California with licenses in at least 2 other states.
3. Open the seed round of fundraising with a target goal of \$750K. The round will close in 2024.
4. Sign 1 or more breeders of color or otherwise increase the diversity of our partners.
5. Maintain exclusivity with all of our breeders.
6. Generate sufficient income/investment in 2023 to hire a salesperson in Q1 2024.

*"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

