

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2021

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

Commission File Number: 001-39820

**Clever Leaves Holdings Inc.**

(Exact name of registrant as specified in its charter)

**British Columbia, Canada**

(State or other jurisdiction of incorporation or organization)

**489 Fifth Avenue, 27th Floor  
New York, NY**

(Address of principal executive offices)

**Not Applicable**

(I.R.S. Employer Identification No.)

**10017**

(Zip Code)

(Registrant's telephone number, including area code): **(646) 880-4382**

\_\_\_\_\_  
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares without par value	CLVR	The Nasdaq Stock Market LLC
Warrants, each warrant exercisable for one common share at an exercise price of \$11.50	CLVRW	The Nasdaq Stock Market LLC

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer   
Smaller reporting company  Emerging growth company

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

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

The number of registrant's common shares and non-voting outstanding as of May 13, 2021 was 24,928,260 and 1,217,826, respectively.

CLEVER LEAVES HOLDINGS INC.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. Some of the statements in this quarterly report on Form 10-Q of Clever Leaves Holdings Inc. ("Form 10-Q") constitute forward-looking statements that do not directly or exclusively relate to historical facts. You should not place undue reliance on such statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. These statements are often, but not always, made through the use of words or phrases such as "believe," "anticipate," "could," "may," "would," "should," "intend," "plan," "potential," "predict," "forecast," "will," "expect," "budget," "contemplate," "believe," "estimate," "continue," "project," "positioned," "strategy," "outlook" and similar expressions. You should read statements that contain these words carefully because they:

- discuss future expectations;
- contain projections of future results of operations or financial condition; or
- state other "forward-looking" information.

All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the results expressed in the statements. We believe it is important to communicate our expectations to our security holders. However, there may be events in the future that we are not able to predict accurately or over which we have no control. Many risks, contingencies and uncertainties may cause actual results to differ materially from the expectations described by us in such forward-looking statements, including among other things:

- changes adversely affecting the industry in which we operate;
- our ability to achieve our business strategies or to manage our growth;
- general economic conditions;
- the effects of the coronavirus on the global economy, on the global financial markets and on our business;
- our ability to maintain the listing of our securities on Nasdaq;
- our ability to retain our key employees;
- our ability to recognize the anticipated benefits of the business combination (the "Business Combination") with Schultze Special Purpose Acquisition Corp. ("SAMA"); and
- the result of any future financing efforts; and
- other factors that are more fully discussed in Part I, Item 1A of the Company's amended December 31, 2020 Form 10-K (the "Amended Annual Report" or "2020 Form 10-K") under the heading "*Risk Factors*" section, and those discussed in other documents we file with the SEC.

These risks could cause actual results to differ materially from those implied by the forward-looking statements contained in this Form 10-Q.

All forward-looking statements included herein attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events.

**ITEM 1. FINANCIAL STATEMENTS**

**CLEVER LEAVES HOLDINGS INC.**  
**Condensed Consolidated Statements of Financial Position**  
(Amounts in thousands of U.S. Dollars, except share and per share data)  
(Unaudited)

	<i>Note</i>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
<b>Assets</b>			
Current:			
Cash and cash equivalents		\$ 68,724	\$ 79,107
Restricted cash		451	353
Accounts receivable, net		1,737	1,676
Prepays, advances and other		3,334	3,174
Other receivables		1,552	1,306
Inventories, net	5	11,555	10,190
<b>Total current assets</b>		<b>87,353</b>	<b>95,806</b>
Investment – Cansativa	6	1,542	1,553
Property, plant and equipment, net of accumulated depreciation of \$3,915 and \$3,356 for the three months ended March 31, 2021 and December 31, 2020, respectively		27,336	25,680
Intangible assets, net	8,9	23,889	24,279
Goodwill	8,9	18,508	18,508
Other non-current assets		59	52
<b>Total Assets</b>		<b>\$ 158,687</b>	<b>\$ 165,878</b>
<b>Liabilities</b>			
Current:			
Accounts payable		\$ 3,430	\$ 4,429
Accrued expenses and other current liabilities		3,447	4,865
Warrant liability		23,912	19,061
Deferred revenue		218	870
<b>Total current liabilities</b>		<b>31,007</b>	<b>29,225</b>
Convertible notes	10	27,266	27,142
Loans and borrowings	10	7,924	6,701
Deferred revenue		1,782	1,167
Deferred tax liabilities		5,700	5,700
Other long-term liabilities		563	693
<b>Total Liabilities</b>		<b>\$ 74,242</b>	<b>\$ 70,628</b>
<b>Shareholders' equity</b>			
Common shares, without par value, unlimited shares authorized:25,583,588 and 24,883,024 shares issued and outstanding as of March 31, 2021 and December 31, 2020, respectively	11	—	—
Preferred shares, without par value, unlimited shares authorized, nil shares issued and outstanding for each of March 31, 2021 and December 31, 2020	11	—	—
Additional paid-in capital		167,224	164,264
Accumulated deficit		(82,779)	(69,014)
<b>Total equity attributable to shareholders</b>		<b>\$ 84,445</b>	<b>\$ 95,250</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 158,687</b>	<b>\$ 165,878</b>

*See accompanying notes to the condensed consolidated financial statements*

**CLEVER LEAVES HOLDINGS INC.**  
**Condensed Consolidated Statements of Operations and Comprehensive Loss**  
(Amounts in thousands of U.S. Dollars, except share and per share data)  
(Unaudited)

	<i>Note</i>	<b>Three Months Ended March 31,</b>	
		<b>2021</b>	<b>2020</b>
Revenue	14	\$ 3,477	\$ 2,914
Cost of sales		(1,246)	(753)
<b>Gross profit</b>		<b>2,231</b>	<b>2,161</b>
<b>Expenses</b>			
General and administrative	12	8,742	8,120
Sales and marketing		678	1,181
Goodwill impairment	9	—	1,682
Depreciation and amortization		579	352
Total expenses		9,999	11,335
<b>Loss from operations</b>		<b>(7,768)</b>	<b>(9,174)</b>
<b>Other Expense (Income), Net</b>			
Interest expense, net		978	836
Loss on remeasurement of warrant liability	11	4,851	—
Loss on investments		—	161
Loss on fair value of derivative instrument		—	13
Foreign exchange loss		759	48
Other (income) expenses, net		(602)	(57)
Total other expense, net		5,986	1,001
<b>Loss before income taxes</b>		<b>(13,754)</b>	<b>(10,175)</b>
<b>Incomes taxes</b>			
Equity investment share of loss		11	11
<b>Net loss</b>		<b>\$ (13,765)</b>	<b>\$ (10,186)</b>
Net loss attributable to non-controlling interest		—	(904)
<b>Net loss attributable to Clever Leaves Holdings Inc. common shareholders</b>	15	<b>\$ (13,765)</b>	<b>\$ (9,282)</b>
<b>Net loss per share attributable to Clever Leaves Holdings Inc. common shareholders - basic and diluted</b>	15	<b>\$ (0.55)</b>	<b>\$ (1.23)</b>
<b>Weighted-average common shares outstanding - basic and diluted</b>	15	<b>25,030,080</b>	<b>8,304,030</b>

*See accompanying notes to the condensed consolidated financial statements.*

**CLEVER LEAVES HOLDINGS INC.**  
**Consolidated Statements of Shareholders' Equity**  
(Amounts in thousands of U.S. Dollars, except share and per share data)  
(Unaudited)

	Common Shares		Preferred Shares		Additional Paid-in Capital	Retained Earnings/(Deficit)	Attributable to Non-controlling Interest	Total Shareholders' Equity
	Shares	\$	Shares	\$				
<b>Balance at December 31, 2019 (as previously reported)</b>	19,266,609	\$ 2	5,988,957	\$ 1	\$ 77,428	\$ (31,933)	\$ 4,695	\$ 50,193
Retroactive application of recapitalization	11 (10,962,579)	(2)	(5,988,957)	(1)	3	—	—	—
<b>Balance at December 31, 2019 (effect of recapitalization)</b>	<b>8,304,030</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>	<b>\$ 77,431</b>	<b>\$ (31,933)</b>	<b>\$ 4,695</b>	<b>\$ 50,193</b>
Stock-based compensation expenses	—	—	—	—	416	—	—	416
Net loss	—	—	—	—	—	(9,282)	(904)	(10,186)
<b>Balance at March 31, 2020</b>	<b>8,304,030</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>	<b>\$ 77,847</b>	<b>\$ (41,215)</b>	<b>\$ 3,791</b>	<b>\$ 40,423</b>

	Common Share		Preferred Shares		Additional Paid-in Capital	Retained Earnings/(Deficit)	Attributable to Non-controlling Interest	Total Shareholders' Equity
	Shares	\$	Shares	\$				
<b>Balance at December 31, 2020</b>	24,883,024	—	—	—	164,264	(69,014)	—	95,250
Stock-based compensation expense	13 —	—	—	—	1,550	—	—	1,550
Issuance of common shares upon vesting of RSUs	13 7,713	—	—	—	—	—	—	—
Founders earnout shares vested	11 570,212	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	(13,765)	—	(13,765)
Common shares issued for exercise of warrants	11 122,639	—	—	—	1,410	—	—	1,410
<b>Balance at March 31, 2021</b>	<b>25,583,588</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>	<b>\$ 167,224</b>	<b>\$ (82,779)</b>	<b>\$ —</b>	<b>\$ 84,445</b>

*See accompanying notes to the condensed consolidated financial statements.*

**CLEVER LEAVES HOLDINGS INC.**  
**Consolidated Statements of Cash Flows**  
(Amounts in thousands of U.S. Dollars)  
(Unaudited)

	Three Months Ended March 31,			
	2021		2020	
<b>Operating Activities</b>				
Net loss	\$	(13,765)	\$	(10,186)
<i>Adjustments to reconcile to net cash used in operating activities:</i>				
Depreciation and amortization		795		352
Loss on remeasurement of warrant liability	11	4,851		—
Foreign exchange loss		759		61
Share-based compensation expense	13	1,550		416
Goodwill impairment	9	—		1,682
Non-cash interest expense, net		430		836
Loss on investment		—		161
Loss on equity method investment, net	6	11		11
Loss on derivative instruments		—		13
<i>Changes in operating assets and liabilities:</i>				
Increase in accounts receivable		(61)		(51)
(Increase) decrease in prepaid expenses		(160)		777
(Increase) decrease in other receivable		(253)		225
Increase in inventory	5	(1,365)		(1,117)
(Decrease) increase in accounts payable and other current liabilities		(2,417)		461
Decrease in other non-current liabilities and other items		(1,002)		(862)
Net cash used in operating activities	\$	(10,627)	\$	(7,221)
<b>Investing Activities</b>				
Purchase of property, plant and equipment		(2,216)		(1,655)
Net cash used in investing activities	\$	(2,216)	\$	(1,655)
<b>Financing Activities</b>				
Proceeds from issuance of long term debt, net of issuance costs	10	—		16,966
Other borrowings		1,223		—
Proceeds from exercise of warrants	11	1,410		—
Net cash provided by financing activities	\$	2,633	\$	16,966
Effect of exchange rate changes on cash, cash equivalents & restricted cash		(75)		(13)
(Decrease) increase in cash, cash equivalents & restricted cash <sup>(a)</sup>	\$	(10,285)	\$	8,077
Cash, cash equivalents & restricted cash, beginning of period <sup>(a)</sup>		79,460		13,198
Cash, cash equivalents & restricted cash, end of period <sup>(a)</sup>	\$	69,175	\$	21,275
<b>Supplemental schedule of cash flow information:</b>				
Cash paid for interest	\$	548	\$	—
Cash paid for income taxes, net of refunds	\$	—	\$	—

<sup>(a)</sup> These amounts include restricted cash of \$ 451 and \$ 18,100 as of March 31, 2021 and March 31, 2020, respectively. The March 31, 2021 restricted cash is comprised primarily of cash on deposit for certain lease arrangements. March 31, 2020 balance represents amounts on deposit from investors pending closing of the tranche 1 of the Series E financing round, as well as cash on deposit for certain lease arrangements.

*See accompanying notes to the condensed consolidated financial statements.*

**CLEVER LEAVES HOLDINGS INC.**

**Notes to the Unaudited Condensed Consolidated Financial Statements**

(Amounts in thousands of U.S. dollars, except share and per share amounts and where otherwise noted)

**1. CORPORATE INFORMATION**

Clever Leaves Holdings Inc., (the "Company") is a multi-national New York-based holding company focused on cannabinoids. In addition to the cannabinoid business, we are also engaged in the non-cannabinoid business of homeopathic and other natural remedies, wellness products, and nutraceuticals. The Company is incorporated under the Business Corporations Act of British Columbia, Canada.

The mailing address of our principal executive office is 489 Fifth Avenue, 27<sup>th</sup> Floor, New York, NY 10017.

**Business Combination**

On December 18, 2020 (the "Closing Date"), Clever Leaves International Inc., a corporation organized under the laws of British Columbia, Canada ("Clever Leaves"), and SAMA consummated the previously announced Business Combination contemplated by the Amended and Restated Business Combination Agreement, dated as of November 9, 2020 (the "Business Combination Agreement"), by and among SAMA, Clever Leaves, Clever Leaves Holdings Inc., a corporation organized under the laws of British Columbia, Canada ("Holdco" or the "Company"), and Novel Merger Sub Inc., a Delaware corporation ("Merger Sub"). Pursuant to the Business Combination Agreement, SAMA agreed to combine with Clever Leaves in the Business Combination that resulted in both Clever Leaves and SAMA becoming wholly-owned subsidiaries of Holdco.

Clever Leaves was deemed the accounting acquirer in the Business Combination based on an analysis of the criteria outlined in Accounting Standards Codification ("ASC") 805. This determination was primarily based on Clever Leaves' stockholders prior to the Business Combination having a majority of the voting interests in the combined company, Clever Leaves' operations comprising the ongoing operations of the combined company, Clever Leaves' board of directors comprising a majority of the board of directors of the combined company, and Clever Leaves' senior management comprising the senior management of the combined company. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of Clever Leaves' issuing stock for the net assets of SAMA, accompanied by a recapitalization. The net assets of SAMA are stated at historical cost, with no goodwill or other intangible assets recorded.

While Holdco was the legal acquirer in the Business Combination, because Clever Leaves was deemed the accounting acquirer, the historical financial statements of Clever Leaves became the historical financial statements of the combined company upon the consummation of the Business Combination. As a result, the financial statements included in this report reflect (i) the historical operating results of Clever Leaves prior to the Business Combination; (ii) the combined results of the Company and Clever Leaves following the closing of the Business Combination; (iii) the assets and liabilities of Clever Leaves' at their historical cost; and (iv) the Company's equity structure before and after the Business Combination.

In accordance with applicable guidance, the equity structure has been restated in all comparative periods to reflect the number of shares of the Company's common shares, issued to Clever Leaves' shareholders in connection with the recapitalization transaction. As such, the shares and corresponding capital amounts and earnings per share related to Clever Leaves' convertible preferred shares and Clever Leaves' common shares prior to the Business Combination have been retroactively restated as shares reflecting the exchange ratio of 0.3288 shares (the "Exchange Rate") established in the Business Combination Agreement. Activity within the statement of shareholders' equity for the issuances and repurchases of Clever Leaves' convertible preferred shares were also retroactively converted to Clever Leaves' common shares. See Note 11. for more information.

**2. BASIS OF PRESENTATION**

The accompanying interim condensed consolidated financial statements ("Financial Statements") of the Company are unaudited. These Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim financial statements and accordingly, do not include all disclosures required for annual financial statements. These Financial Statements reflect all adjustments, which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. All adjustments were of a normal recurring nature. Interim period results are not necessarily indicative of results to be expected for the full year.



**CLEVER LEAVES HOLDINGS INC.**

**Notes to the Unaudited Condensed Consolidated Financial Statements**

(Amounts in thousands of U.S. dollars, except share and per share amounts and where otherwise noted)

These Financial Statements should be read in conjunction with the Company's 2020 audited consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2020 ("2020 Form 10-K").

**Going Concern**

These consolidated financial statements have been prepared in accordance with U.S. GAAP, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months.

As shown in the accompanying consolidated financial statements, the Company had an accumulated deficit as of March 31, 2021, as well as operating losses and negative cash flows from operations since inception and expects to continue to incur net losses for the foreseeable future until such time that it can generate significant revenues from the sale of its available inventories.

The Company's management believes that the Company's current cash position, following the consummation of the Business Combination, and management's plans to continue similar operations with increased marketing, which the Company believes will result in increased revenue and an improvement in net income, will satisfy the Company's estimated liquidity needs during the twelve months from the issuance of the consolidated financial statements.

**Impact of COVID-19 Pandemic**

The Company expects its operations to continue to be affected by the ongoing outbreak of the 2019 coronavirus disease ("COVID-19"), which was declared a pandemic by the WHO in March 2020. The spread of COVID-19 has severely impacted many economies around the globe. In many countries, including those where the Company operates, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced increased volatility and, in certain cases, significant declines.

Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions and the Company has taken steps to obtain financial assistance made available from jurisdictional governments, however the Company expects its 2021 financial performance to continue to be impacted and result in a delay of certain of its go-to-market initiatives.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear. It is not possible to reliably estimate the duration and severity of these consequences, nor their impact on the financial position and results of the Company for future periods.

We continue to monitor closely the impact of COVID-19, with a focus on the health and safety of our employees, and business continuity. We have implemented various measures to reduce the spread of the virus including requiring that our non-production employees work from home, restricting visitors to production locations, screening employees with infrared temperature readings and requiring them to complete health questionnaires on a daily basis before they enter facilities, implementing social distancing measures at our production locations, enhancing facility cleaning protocols, and encouraging employees to adhere to preventative measures recommended by the WHO. Our global operational sites have been reduced to business-critical personnel only and physical distancing measures are in effect. In addition, since our non-production workforce can effectively work remotely using various technology tools, we are able to maintain our full operations. Although our operational sites remain open, mandatory or voluntary self-quarantines may further limit the staffing of our facilities.

**CLEVER LEAVES HOLDINGS INC.**  
**Notes to the Unaudited Condensed Consolidated Financial Statements**  
(Amounts in thousands of U.S. dollars, except share and per share amounts and where otherwise noted)

**Principles of Consolidation**

The accompanying condensed consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. The following table provides a summary of the Company's subsidiaries and respective ownership percentage at March 31, 2021:

Subsidiaries	Jurisdiction of incorporation	Ownership
Clever Leaves US, Inc.	Delaware, United States	100%
NS US Holdings, Inc.	Delaware, United States	100%
Herbal Brands, Inc.	Delaware, United States	100%
1255096 B.C. Ltd. ("Newco")	British Columbia, Canada	100%
Northern Swan International, Inc. ("NSI")	British Columbia, Canada	100%
Northern Swan Management, Inc.	British Columbia, Canada	100%
Northern Swan Deutschland Holdings, Inc.	British Columbia, Canada	100%
Northern Swan Portugal Holdings, Inc.	British Columbia, Canada	100%
Clever Leaves Portugal Unipessoal LDA	Portugal	100%
Clever Leaves II Portugal Cultivation SA	Portugal	100%
Northern Swan Europe, Inc.	British Columbia, Canada	100%
Nordschwan Holdings, Inc.	British Columbia, Canada	100%
Clever Leaves Germany GmbH	Frankfurt, Germany	100%
NS Herbal Brands International, Inc.	British Columbia, Canada	100%
Herbal Brands, Ltd.	London, United Kingdom	100%
Clever Leaves International, Inc.	British Columbia, Canada	100%
Eagle Canada Holdings, Inc. ("Eagle Canada")	British Columbia, Canada	100%
Ecomedics S.A.S. ("Ecomedics")	Bogota, Colombia	100%
Clever Leaves UK Limited	London, United Kingdom	100%

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions have been eliminated.

**3. ACCOUNTING PRONOUNCEMENTS****Recently Adopted Accounting Pronouncements**

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes* ("ASU No. 2019-12"), which is intended to simplify various aspects related to accounting for income taxes. ASU No. 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU No. 2019-12 is effective for the Company beginning January 1, 2021. The Company is currently evaluating the effect of adopting ASU No. 2019-12 and does not expect the ASU to have a material impact to its consolidated financial statements.

In January 2020, the FASB issued ASU No. 2020-01, *Investments — Equity Securities (Topic 321), Investments — Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)* ("ASU No. 2020-01"), which is intended to clarify the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815. ASU No. 2020-01 is effective for the Company beginning January 1, 2021. The adoption of ASU did not have a material impact to the Company's consolidated financial statements.

**CLEVER LEAVES HOLDINGS INC.**  
**Notes to the Unaudited Condensed Consolidated Financial Statements**  
(Amounts in thousands of U.S. dollars, except share and per share amounts and where otherwise noted)

In October 2020, the FASB issued this ASU No. 2020-09, *Debt - (Topic 470)* ("ASU No. 2020-09"), which clarifies, streamlines, and in some cases eliminates, the disclosures a registrant must provide in lieu of the subsidiary's audited financial statements. The rules require certain enhanced narrative disclosures, including the terms and conditions of the guarantees and how the legal obligations of the issuer and guarantor, as well as other factors, may affect payments to holders of the debt securities. The amendments in ASU No. 2020-09 are effective January 4, 2021 and earlier compliance is permitted. The adoption of ASU did not have a material impact to the Company's consolidated financial statements.

**Recently Issued Accounting Pronouncements Not Yet Adopted**

In May 2021, the FASB issued ASU No. 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options* ("ASU No. 2021-04"), which provides a principles-based framework to determine whether an issuer should recognize the modification or exchange as an adjustment to equity or an expense. ASU No. 2021-04 requires issuers to account for modifications or exchanges of freestanding equity-classified written call options (e.g., warrants) that remain equity classified after the modification or exchange based on the economic substance of the modification or exchange. The amendments in ASU No. 2021-04 are effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted for all entities, including adoption in an interim period. The Company is currently evaluating the effect of adopting ASU No. 2021-04.

**4. FAIR VALUE MEASUREMENTS**

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities, except for those assets and liabilities that are short term in nature and approximate the fair values, as of the periods presented:

	Level 1	Level 2	Level 3	Total
<b>As of March 31, 2021</b>				
Assets:				
Investment – Cansativa	—	—	1,542	1,542
<b>Total Assets</b>	<b>—</b>	<b>—</b>	<b>1,542</b>	<b>1,542</b>
Liabilities:				
Loans and borrowings	—	7,924	—	7,924
Warrant liability	—	—	23,912	23,912
Convertible notes	—	27,266	—	27,266
<b>Total Liabilities</b>	<b>\$ —</b>	<b>\$ 35,190</b>	<b>\$ 23,912</b>	<b>\$ 59,102</b>
<b>As of December 31, 2020</b>				
Assets:				
Investment – Cansativa	—	—	1,553	1,553
<b>Total Assets</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,553</b>	<b>\$ 1,553</b>
Liabilities:				
Loans and borrowings	\$ —	\$ 6,701	\$ —	\$ 6,701
Warrant liability	—	—	19,061	\$ 19,061
Convertible notes	—	27,142	—	\$ 27,142
<b>Total Liabilities</b>	<b>\$ —</b>	<b>\$ 33,843</b>	<b>\$ 19,061</b>	<b>\$ 52,904</b>

During the three months ended March 31, 2021 and December 31, 2020, there were no transfers between fair value measurement levels.

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**5. INVENTORY**

Inventories are comprised of the following items as of the periods presented:

	March 31, 2021	December 31, 2020
Raw materials	\$ 1,083	\$ 1,148
Work in progress – cultivated cannabis	66	1,482
Work in progress – harvested cannabis and extracts	2,670	274
Finished goods – cannabis extracts	7,478	7,003
Finished goods – other	258	283
<b>Total</b>	<b>\$ 11,555</b>	<b>\$ 10,190</b>

**6. INVESTMENTS****Cansativa**

On December 21, 2018, the Company, through its subsidiary Northern Swan Deutschland Holdings, Inc., entered into a seed investment agreement with the existing stockholders of Cansativa GmbH (“Cansativa”), a German limited liability company primarily focused on the import and sale of cannabis products for medical use and related supplements and nutraceuticals. Prior to the Company’s investment, Cansativa’s registered and fully paid-in share capital amounted to 26,318 common shares. Under the investment agreement, the Company has agreed with the existing stockholders to invest up to EUR 7,000 in Cansativa in three separate tranches of, respectively, EUR 1,000, EUR 3,000 and up to a further EUR 3,000. The first EUR 1,000 (specifically, EUR 999.915, approximately \$1,075, or “Seed Financing Round”) was invested in Cansativa to subscribe for 3,096 newly issued preferred voting shares at EUR322.97 per preferred share, and as cash contributions from the Company to Cansativa. The seed EUR322.97 per share price was based on a fully diluted pre-money valuation for Cansativa of EUR 8,500, and the increase of Cansativa’s registered share capital by the 3,096 preferred shares in the Seed Financing Round provided the Company with 10.53% of the total equity ownership of Cansativa. The Company paid the seed investment subscription by, first, an initial nominal payment of EUR 3.1, (i.e., EUR 1.00 per share) upon signing the investment agreement to demonstrate the Company’s intent to invest, and the remainder of EUR 996.819 was settled in January 2019 to officially close the investment deal after certain closing conditions have been met by the existing stockholders and Cansativa. The Company accounts for its investment in Cansativa using the equity accounting method, due to the Company’s significant influence, in accordance with ASC 323, *Investments — Equity Method and Joint Ventures*.

The Company recorded its investment in Cansativa at the cost basis of an aggregated amount of EUR999.915, approximately \$1,075, which is comprised of EUR 3.096 for the initial nominal amount of the Seed Financing Round and EUR 996.819 for the remaining Seed Financing Round (i.e., Capital Reserve Payment), with no transaction costs. Subsequent to the Seed Financing Round, the Company had an option, within 18 months after the Signing Date, to increase its investment in Cansativa by subscribing to up to 9,289 newly issued (additional) preferred shares (“Tranche 2 Option”) for an amount of up to EUR3,000.06833 based on the same seed share price of EUR322.97. When the Tranche 2 Option is exercised from time to time, the Company is entitled to subscribe to a number of up to 578 additional Seed Preferred Shares (in case of full exercise of the Tranche 2 Option) for their respective nominal value of EUR 1.00. The Company estimated that the value of the Tranche 2 Option at the time of the initial investment was approximately EUR 419 (\$450). The Company’s equity method investment at the time of Seed Financing Round was approximately 10.53% of the book value of Cansativa’s net assets of approximately EUR 1,100, and approximately EUR 465 of equity method goodwill, as Cansativa was a newly formed entity with limited identifiable assets to which a significant fair value could be applied. The Company’s options to acquire additional shares in Cansativa are accounted for as equity instruments within the scope of ASC 321, *Investments — Equity Securities*.

In accordance with the seed investment agreement, in September 2019, the Company made an additional investment of approximately EUR650, or approximately \$722, for 2,138 shares in Cansativa, thereby increasing its equity ownership to

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16.6% of the book value of Cansativa's net assets of approximately EUR1,233, and approximately EUR 1,122 of equity method goodwill as Cansativa was still in the process of getting the licenses and expanding its operations. As of September 30, 2020, balance of Tranche 2 option expired unexercised and as a result the Company recognized a loss on investment of approximately \$370 in its Statement of Operations and Comprehensive Loss and the carrying value of the Tranche 2 option was reduced tonil.

In December 2020, Cansativa allocated shares of its common stock to a newly-installed employee-stock ownership plan ("ESOP"). As a result of the ESOP installment, the Company's equity ownership of Cansativa, on a fully-diluted basis, decreased from 16.59% to 15.80% of the book value of Cansativa's net assets. Additionally, Cansativa raised additional capital through the issuance of Series A preferred stock ("Cansativa Series A Shares") to a third-party investor at a per share price of EURO 543.31. As a result of the Series A Share issuance, the Company's equity ownership of Cansativa, on a fully diluted basis, decreased from 15.80% to 14.22% of the book value of Cansativa's net assets. The Company accounted for the transaction as a proportionate sales of ownership share and recognized a gain of approximately \$211 in its consolidated statement of operations within loss on investments line. This change did not impact the equity method classification.

For the three months ended March 31, 2021 the Company's share of net losses from the investment were \$1. For the three months ended March 31, 2020 the Company's share of net earnings from the investment were \$10.

## **7. BUSINESS COMBINATIONS**

### **2020**

#### **Business Combination**

On December 18, 2020, Clever Leaves and SAMA consummated the Business Combination contemplated by the Amended and Restated Business Combination Agreement, dated as of November 9, 2020, by and among SAMA, Clever Leaves, the Company and Merger Sub.

Pursuant to the Business Combination Agreement, each of the following transactions occurred in the following order: (i) pursuant to a court-approved Canadian plan of arrangement (the "Plan of Arrangement" and the arrangement pursuant to such Plan of Arrangement, the "Arrangement"), at 11:59 p.m., Pacific time, on December 17, 2020 (2:59 a.m., Eastern time, on December 18, 2020) (a) all of the Clever Leaves shareholders exchanged their Class A common shares without par value of Clever Leaves ("Clever Leaves common shares") for our common shares without par value ("common shares") and/or non-voting common shares without par value ("non-voting common shares") (as determined in accordance with the Business Combination Agreement) and (b) certain Clever Leaves shareholders received approximately \$3,100 in cash in the aggregate (the "Cash Arrangement Consideration"), such that, immediately following the Arrangement, Clever Leaves became our direct wholly-owned subsidiary; (ii) at 12:01 a.m., Pacific time (3:01 a.m. Eastern time), on December 18, 2020, Merger Sub merged with and into SAMA, with SAMA surviving such merger as our direct wholly-owned subsidiary (the "Merger") and, as a result of the Merger, all of the shares of SAMA common stock were converted into the right to receive our common shares as set forth in the Business Combination Agreement; (iii) immediately following the consummation of the Merger, we contributed 100% of the issued and outstanding capital stock of SAMA (as the surviving corporation of the Merger) to Clever Leaves, such that, SAMA became a direct wholly-owned subsidiary of Clever Leaves; and (iv) immediately following the contribution of SAMA to Clever Leaves, Clever Leaves contributed 100% of the issued and outstanding shares of NS US Holdings, Inc., a Delaware corporation and a wholly-owned subsidiary of Clever Leaves, to SAMA. Upon the closing of the Merger, SAMA changed its name to Clever Leaves US, Inc.

In connection with the closing of the Business Combination, the Company's bylaws were amended and restated to, among other things, provide for an unlimited number of common shares without par value, an unlimited number of non-voting common shares without par value and an unlimited number of preferred shares without par value.

In connection with the Business Combination, SAMA obtained commitments (the "Subscription Agreements") from certain investors (the "Subscribers") to purchase \$8,881 in shares of SAMA common stock for a purchase price of \$9.50 per share, in the SAMA PIPE. As part of the SAMA PIPE, certain Subscribers who are holders of the 2022 Convertible Notes agreed to purchase shares of SAMA common stock in exchange for the transfer of the PIK Notes received in satisfaction of approximately \$2,881 of accrued and outstanding interest under the 2022 Convertible Notes from January 1 to December 31,

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2020. Prior to the effective time of the Merger, SAMA issued an aggregate of 934,819 shares of SAMA common stock the Subscribers in the SAMA PIPE that were exchange for our common shares, on a one-for-one basis, in connection with the Closing.

The Business Combination is accounted for as a recapitalization in accordance with U.S. GAAP. Under this method of accounting, SAMA was treated as the "acquired" company for financial reporting purposes (see Note 1.). Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of Clever Leaves issuing shares for the net assets of SAMA, accompanied by a recapitalization. The net assets of SAMA are stated at historical cost, with no goodwill or other intangible assets recorded.

The following table reconciles the elements of the Business Combination to the consolidated statement of cash flows and the consolidated statement of shareholders' equity for the year ended December 31, 2020:

	<b>Recapitalization</b>
Cash - SAMA trust and cash, net of redemptions	\$ 86,644
Cash - SAMA PIPE	6,000
Non-cash PIK	(2,881)
Cash assumed from SAMA	698
Cash consideration to certain Clever Leaves shareholders	(3,057)
Less: transaction costs and advisory fees	(13,895)
Net Business Combination	\$ 73,509
Non-cash PIK	2,881
Deferred issuance costs	1,503
Warranty liability	(29,841)
Net liabilities assumed from SAMA	(258)
Net contributions from Business Combination	\$ 47,794

See Note 11. for more information on all capital stock issuances.

## 8. INTANGIBLE ASSETS

The Company has acquired cannabis-related licenses as part of a business combination with a gross value of approximately \$9,000, which have indefinite useful lives as they are expected to generate economic benefit to the Company in perpetuity. In addition, during 2019 the Company acquired finite-lived intangible assets with a gross value of approximately \$7,091 as part of its Herbal Brands acquisition. During the three months ended March 31, 2021 and 2020 the Company recorded approximately \$90 and \$217, respectively, of amortization related to its finite-lived intangible assets.

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The following tables present details of the Company's total intangible assets as of March 31, 2021 and December 31, 2020. The value of product formulation intangible asset is included in the value of Brand:

	March 31, 2021			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted- Average Useful Life (in Years)
<b><i>Finite-lived intangible assets:</i></b>				
Customer contracts	\$ 925	\$ 725	\$ 200	0.2
Customer relationships	1,000	350	650	4.1
Customer list	650	249	401	3
Brand	4,516	878	3,638	8
Total finite-lived intangible assets	\$ 7,091	\$ 2,202	\$ 4,889	
<b><i>Indefinite-lived intangible assets:</i></b>				
Licenses	\$ 19,000	N/A	\$ 19,000	
Total indefinite-lived intangible assets	\$ 19,000	N/A	\$ 19,000	
Total intangible assets	\$ 26,091	\$ 2,202	\$ 23,889	
	December 31, 2020			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted- Average Useful Life (in Years)
<b><i>Finite-lived intangible assets:</i></b>				
Customer contracts	\$ 925	\$ 525	\$ 400	0.5
Customer relationships	1,000	304	696	4.4
Customer list	650	217	433	3.3
Brand	4,516	766	3,750	8.3
Total finite-lived intangible assets	\$ 7,091	\$ 1,812	\$ 5,279	
<b><i>Indefinite-lived intangible assets:</i></b>				
Licenses	\$ 19,000	N/A	\$ 19,000	
Total indefinite-lived intangible assets	\$ 19,000	N/A	\$ 19,000	
Total intangible assets	\$ 26,091	\$ 1,812	\$ 24,279	

### 2020 Interim Impairment Testing

In conjunction with the impairment testing performed as of March 31, 2020 (refer to Note 9. for more detail) the Company reviewed finite-lived intangible assets for impairment. Indefinite-lived intangible assets, consisting of certain of the Company's licenses, were reviewed as part of the impairment assessment during the first quarter of 2020 similar to goodwill, in accordance

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with ASC 350. The Company did not recognize an impairment related to the carrying value of any of the Company's finite or indefinite-lived intangible assets as a result of the impairment assessments performed as of March 31, 2020.

For each of the three months ended March 31, 2021 and 2020, no impairment was recognized related to the carrying value of any of the Company's finite or indefinite-lived intangible assets.

#### Annual Impairment Testing

In accordance with ASC Topic 350, "Intangibles – Goodwill and Other," the Company performs its annual impairment test as of December 31 of each year. Refer to Note 9. for more detail.

#### Amortization Expense

The following table reflects the estimated future amortization expense for each period presented for the Company's finite-lived intangible assets as of March 31, 2021:

	Estimated Amortization Expense
2022	\$ 1,728
2023	702
2024	585
2025	542
2026	542
Thereafter	790
<b>Total</b>	<b>\$ 4,889</b>

## 9. GOODWILL

The following table presents goodwill by segment:

	Cannabinoid	Non- Cannabinoid	Total
<b>Balance at December 31, 2020</b>	<b>\$ 18,508</b>	<b>\$ —</b>	<b>\$ 18,508</b>
<b>Balance at March 31, 2021</b>	<b>\$ 18,508</b>	<b>\$ —</b>	<b>\$ 18,508</b>
Cumulative goodwill impairment charges <sup>(a)</sup>	\$ —	\$ 1,682	\$ 1,682

<sup>(a)</sup> Amount refers to cumulative goodwill impairment charges related to impairments recognized in 2020; no impairment charges were recognized during the three months ended March 31, 2021.

In accordance with ASC Topic 350, "Intangibles – Goodwill and Other," the Company performs its annual impairment test as of December 31 of each year. The Company also reviews goodwill for impairment whenever events or changes in circumstances indicate that the carrying value of its goodwill may not be recoverable. After the close of each interim quarter, management assesses whether there exists any indicators of impairment requiring the Company to perform an interim goodwill impairment analysis.

For 2020, the Company performed a qualitative assessment to determine whether indicators of impairment existed. The Company considered, among other factors, the financial performance, industry conditions, as well as macroeconomic developments. Based upon such assessment, the Company determined that it was not more-likely-than-not that an impairment existed as of December 31, 2020. There were no further indicators of impairment during the first quarter of 2021.



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**First quarter of 2020 Interim impairment Testing**

As of March 31, 2020, the Company recognized the COVID-19 pandemic and its impact as a negative indicator to its business performance. As a result, the Company performed an assessment to determine whether goodwill was impaired. Based upon such assessment, the Company determined that it was more likely than not that only the carrying value of its non-cannabinoid operating segment exceeded the fair value as of March 31, 2020.

Following the results of such assessment, the Company recorded an impairment for the full carrying value of the operating segment's goodwill carrying value. The Company calculated the fair value of the operating segment using discounted estimated future cash flows. The weighted-average cost of capital used in testing the reporting unit for impairment was 19%, with a perpetual growth rate of 2%. As a result of this interim impairment testing, the Company recognized a \$1,682 non-cash goodwill impairment charge related to the non-cannabinoid operating segment in the first quarter of 2020. Following the recognition of this non-cash goodwill impairment charge, the operating segment's goodwill was \$nil.

**10. DEBT**

	March 31, 2021	December 31, 2020
Series D Convertible Notes due March 2022 <sup>(a)</sup>	\$ 27,266	\$ 27,142
Herbal Brands Loan due May 2023 and other borrowings	7,924	6,701
<b>Ending balance</b>	<b>\$ 35,190</b>	<b>\$ 33,843</b>

(a) Net of debt issuance costs of \$608 and \$741 in 2021 and 2020, respectively.

**Series D Convertible Notes due March 2022**

In March 2019 and in connection with the Company's Series D fundraising, the Company issued secured convertible notes totaling \$27,750, with maturity date of March 30, 2022 ("2022 Convertible Notes"). The 2022 Convertible Notes bear interest of 8.00% per annum, payable quarterly in arrears, and are secured through collateral, guarantee, and pledge agreements signed between the Company, the noteholders, and an appointed paying and collateral agent. Specifically, the 2022 Convertible Notes are guaranteed by the Company's subsidiaries and secured by 1,300,002 common shares of pledged equity interests in specific subsidiaries.

A noteholder may convert the principal amount, in whole or in part, at a minimum of \$1,000 into common shares at a conversion price of \$1.00 per share. The Company may issue financing securities (common shares) upon the exercise of the conversion options within each convertible note, in part or in whole, at the option of the holder at any time or at the option of the issuer subsequent to a trigger event (i.e., a qualified IPO at greater than or equal to \$13.54 per common share, or a non-qualified IPO with a 10-day trailing volume weighted average price exceeding \$13.54 per common share). The Company is contractually restricted from prepaying the obligations prior to the maturity date except in the case of (1) conversion of the whole or part of the principal amount or (2) a change in control which would trigger immediate repayment in full.

In its assessment to determine the accounting treatment for the Class C Preferred Shares and 2022 Convertible Notes, the Company reviewed the guidance in ASC 480 — Distinguishing Liabilities from Equity. Based on the analysis the Company deemed that the: 1) Class C Preferred Shares meet the criteria for a freestanding equity classified instrument that are initially measured at fair value and subsequent changes to their fair value are not recognized; and 2) 2022 Convertible Notes are debt-like in nature. In its assessment, the Company considered the terms and features within the hybrid instrument, including redemption consideration, the preferred shares' cumulative dividend, voting rights, contingent and optional conversion feature, as well as the liquidation rights, prior to concluding on the classification. Following the review, no features were segregated, and no derivative instruments or beneficial conversion features were recognized. As a result, upon issuance, the Company recognized approximately \$30,258 of Class C Preferred Shares and approximately \$27,750 of Series D convertible debt on its statement of financial position.

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In March 2020, the Company amended certain terms of its 2022 Convertible Notes. As a result of this amendment the Company amended the 2022 Convertible Notes to provide for an increase in the rate of interest payable on the principal amount to 10% and to provide that such interest may be payable in-kind at maturity. In addition, the Company amended the restrictive covenants to allow for the creation, incurrence or assumption of certain additional debt, as well as to extend the date on which the Company is required to deliver its audited year-end financial statements. The amendments were accounted for as debt modification.

In connection with the Business Combination (Note 7.) and effective on the Closing Date, Clever Leaves and the holders of the 2022 Convertible Notes agreed to amend the terms of the 2022 Convertible Notes as follows: (i) decrease the interest rate to 8%, commencing January 1, 2021, and provide that such interest is to be paid in cash, quarterly in arrears; (ii) provide for the payment of all accrued and outstanding interest from January 1, 2020 to December 31, 2020 to be made in the form of PIK Notes; to consent to the transfer of the PIK Notes to SAMA in exchange for the PIPE Shares to be issued as part of the SAMA PIPE pursuant to the terms of the Subscription Agreements; (iii) at the option of Clever Leaves, satisfy the payment of quarterly interest by issuing the Company's common shares to the noteholders, at a price per share equal to 95% of the 10-day volume weighted average trading price of the Company's common shares ending three trading days prior to the relevant interest payment date (the "10-Day VWAP"); (iv) at the option of Clever Leaves, prepay, in cash, any or all amounts outstanding under the 2022 Convertible Notes at any time without penalty; (v) at the option of Clever Leaves on each quarterly interest payment date, repay up to the lesser of (a) \$2,000, or (b) an amount equal to four times the average value of the daily volume of Holdco common shares traded during the 10-Day VWAP period, of the total amounts outstanding under the 2022 Convertible Notes at such time by issuing Holdco common shares to the noteholders at a price per share equal to 95% of the 10-Day VWAP; and (vi) at the option of each noteholder, in the event, following the Merger Effective Time, Clever Leaves, the Company or any of their respective affiliates proposes to issue equity securities for cash or cash equivalents (the "Equity Financing") (save and except for certain exempt issuances) at any time after Clever Leaves, the Company or any of their respective affiliates completes one or more equity financings raising, in aggregate, net proceeds of \$25,000 (net of reasonable fees, including reasonable accounting, advisory and legal fees, commissions and other out-of-pocket expenses and inclusive of net cash retained as a result of the Business Combination on the Merge Effective Time), convert an amount of principal and/or accrued interest owing under the 2022 Convertible Notes into subscriptions to purchase up to the noteholder's pro rata share of 25% of the total securities issued under such Equity Financing on the same terms and conditions as such Equity Financing is offered to subscribers; provided, however, that if the noteholder does not elect to participate in such Equity Financing through the conversion of amounts owing under the 2022 Convertible Notes, then Clever Leaves shall be required to repay, in cash within five (5) business days following the closing of such Equity Financing, an amount equal to the noteholder's pro rata share of 25% of the total net proceeds raised from such Equity Financing (collectively, the "November 2020 Convertible Amendments"). The November 2020 Convertible Amendments were accounted as debt modification. As of closing of the Business Combination, the conversion price was changed from \$11.00 to \$30.62 per share.

In connection with the November 2020 Amendments, the Required Holders (as that term is defined in the amended and restated intercreditor and collateral agency agreement, dated as of May 10, 2019, in respect of the 2022 Convertible Notes) have agreed to waive Clever Leaves' required compliance with certain restrictive covenants set forth in the 2022 Convertible Notes solely for the purposes of allowing Clever Leaves, Holdco and their affiliates to complete the Business Combination, and have agreed to direct GLAS Americas LLC, as collateral agent in respect of the 2022 Convertible Notes, to further provide its consent therefor.

In accordance with the terms of the 2022 Convertible Notes and in connection with the November 2020 Amendments, Holdco, 1255096 B.C. Ltd. and SAMA (as the surviving corporation of the Merger) each entered into a guarantee agreement in favor of the collateral agent in respect of the 2022 Convertible Notes (the "Guarantees") and become guarantors thereunder. Further, the terms of the amended and restated pledge agreement, dated as of May 10, 2019, made by Clever Leaves in favor of the collateral agent will be amended such that Holdco and certain of its subsidiaries, as the case may be, will, in connection with the Business Combination, pledge all of the shares in the capital of each of Clever Leaves, 1255096 B.C. Ltd., SAMA (as the surviving corporation of the Merger), Northern Swan International, Inc. and NS US Holdings, Inc. to the collateral agent.

#### **Herbal Brands Loan due May 2023**

In April 2019 and in connection with the Herbal Brands acquisition, the Company entered into a loan agreement with Rock Cliff Capital under which the Company secured a non-revolving loan of \$8,500 (the "Herbal Brands Loan"). The Herbal Brands Loan bears interest at 8.00% per annum, calculated based on the actual number of days elapsed, due and payable in arrears on the first day of each fiscal quarter commencing July 1, 2019. The Herbal Brands Loan is to be repaid or prepaid prior to its

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maturity date May 2, 2023 and requires the Company to repay, on a quarterly basis, 85% of positive operating cash flows. The Company can also choose to prepay a portion of or the full balance of loan, subject to a fee equal to the greater of (i) zero, and (ii) \$2,338, net of interest payments already paid on such prepayment date. This loan is secured by inventory, property plant and equipment and other assets as collateral.

In connection with the Herbal Brands Loan, the Company issued equity-classified warrants for Class C preferred shares to Rock Cliff Capital (the "Rock Cliff Warrants") with an initial fair value of \$717, which was reflected in additional paid-in capital, with an initial expiration date of May 3, 2021. See Note 11. for further details regarding the Rock Cliff Warrants.

The Herbal Brands Loan and Rock Cliff Warrants were deemed freestanding financial instruments with the loan accounted for as debt, subsequently measured using amortized cost, and the Rock Cliff Warrants, representing a written call option, accounted for as an equity-classified contract with subsequent changes in fair value not recognized as long as warrants continue to be classified as equity. Using a relative fair value method, at the time of issuance the Company recognized approximately \$7,783 as loans and borrowings and approximately \$717 in additional paid-in capital for the equity classified warrant.

In August 2020, the Company amended certain terms of the Herbal Brands Loan to provide for additional interest of 4.00% per annum, compounding quarterly and payable in-kind at maturity. In addition, the Company extended the expiration date of the Rock Cliff Warrants to May 3, 2023. As part of the amendment, the parties agreed to defer the covenant testing under the Herbal Brands Loan until September 30, 2021. The Company accounted for the amendment to the Herbal Brands Loan as a debt modification. Due to the extension of the warrants expiration, the Company reviewed the fair value of the options before and after the amendment, as a result the Company recognized approximately \$400 of additional debt issuance costs related to the increase in the fair value of the warrants in its statement of financial position. Such costs will be amortized on a straight-line basis through the amended expiration date of the Rock Cliff Warrants.

Following the closing of the Business Combination and pursuant to the terms, the holder of the Rock Cliff Warrants can purchase 63,597 of the Company's common shares at a strike price of \$26.73 per share.

For the three months ended March 31, 2021 and 2020, the Company recognized interest expense of approximately \$202 and \$157, respectively, and repaid approximately nil and nil, respectively, of the Herbal Brands Loan in accordance with the terms of the loan agreement. The Company expects to repay approximately \$1,000 to \$1,300 of the Herbal Brands Loan in 2021.

#### **Other Borrowings**

##### *Portugal line of credit*

In January 2021, Clever Leaves Portugal Unipessoal LDA borrowed EUR 1.00 million (the "Portugal Line of Credit"), from a local lender (the "Portugal Lender") under the terms of its credit line agreement. The Portugal Line of Credit pays interest quarterly at a rate of Euribor plus 3.0 percentage points. Principal will be repaid through quarterly installments of approximately EUR 62,500 beginning February 28, 2022. As of March 31, 2021, the full amount borrowed was outstanding under the Portugal Line of Credit.

## **11. CAPITAL STOCK**

### **Common Shares**

As of March 31, 2021, the Company's amended and restated articles provided for an unlimited number of voting common shares without par value and an unlimited number of non-voting common shares without par value.

### **Preferred Shares**

As of March 31, 2021, the Company's amended and restated certificate of incorporation provided for an unlimited number of preferred shares without par value. As of March 31, 2021, the Company had no preferred shares issued and outstanding.

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**Business Combination**

In connection with the Business Combination, the consolidated statement of shareholders' equity has been retroactively restated to reflect the number of shares received in the Business Combination. The consolidated statement of shareholders' equity as of December 31, 2020 reflects the following transactions consummated in connection with the Business Combination in regards to outstanding instruments of Clever Leaves: (i) the conversion of the Series E Convertible Debentures to 984,567 of the Company's common shares, (ii) the conversion of the redeemable non-controlling interest of Eagle Canada, a former subsidiary of the Company, to 1,562,339 of the Company's common shares, adjusted to reflect the secondary sale of 287,564 of the Company's common shares, (iii) the automatic conversion, on a one-for-one basis, of Clever Leaves' Class C convertible preferred shares to 1,456,439 of the Company's common shares triggered by the consummation of the Business Combination, (iv) the automatic conversion, at the liquidation preference of 1.4x and conversion price per share of \$3.288, of Class D Preferred Shares to 3,571,591 of the Company's common shares triggered by the consummation of the Business Combination (a Class D Liquidation Event), (v) the exercise of the warrants held by Neem Holdings, LLC for 300,000 of the Company's common shares, and (vi) the recapitalization of 1,168,421 shares and 8,486,300 shares of outstanding SAMA founders stock and SAMA common stock, respectively, to 9,654,721 of the Company's common shares.

In addition, SAMA founders received 1,140,423 common shares in exchange for their SAMA common stock as earnout shares. Under the terms these shares would be released from escrow as follows: (i) shares constituting 50% of the common shares reserve will be released to the Sponsor if the closing price of the Company's common shares on Nasdaq equals or exceeds \$12.50 per share (as adjusted for shares splits, reverse splits, stock dividends, reorganizations, recapitalizations) for any 20 trading days within any consecutive 30 trading day period on or before the second anniversary of the Closing, and (ii) shares constituting the remaining 50% of the common shares reserve will be released to the Sponsor if the closing price of the Company's common shares on Nasdaq equals or exceeds \$15.00 per share (as adjusted for stock splits, reverse splits, stock dividends, reorganizations, recapitalizations) for any 20 trading days within any consecutive 30 trading day period on or before the fourth anniversary of the Closing. As of December 31, 2020, the shares were legally outstanding, however since none of the performance conditions were met, no shares were included in the Company's statement of shareholders' equity. During the three months ended March 31, 2021, the condition for the first 50% of the share reserve was met and therefore 570,212 shares are included in the Company's statement of shareholders' equity.

**Warrants**

As of March 31, 2021, excluding the Rock Cliff warrants, the Company had outstanding 12,877,360 of its public warrants classified as a component of equity and 4,900,000 of its private warrants recognized as liability. Each warrant entitles the holder to purchase one common share at an exercise price of \$11.50 per share commencing 30 days after the closing of the Business Combination and will expire on December 18, 2025, at 5:00 p.m., New York City time, or earlier upon redemption. Once the warrants are exercisable, the Company may redeem the outstanding public warrants at a price of \$0.01 per warrant if the last reported sales price of the Company's common shares equals or exceeds \$18.00 per share (as adjusted for share splits, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading day period ending on the third trading day prior to the date on which the Company will send the notice of redemption to the warrant holders. The private warrants were issued in the same form as the public warrants but they (i) are not redeemable by the Company and (ii) may be exercised for cash or on a cashless basis at the holder's option, in either case as long as they are held by the initial purchasers or their permitted transferees (as defined in the warrant agreement). Once a private warrant is transferred to a holder other than an affiliate or permitted transferee, it is treated as a public warrant for all purposes. The terms of the warrants may be amended in a manner that may be adverse to holders with the approval of the holders of at least a majority 50.1% of the then outstanding warrants.

As of March 31, 2021, the Company received total proceeds of \$1,410 from the exercise of 122,640 of its public warrants by their holders.

The private warrants are recorded as liabilities, with the offset to additional paid-in capital, and measured at fair value at inception and at each reporting period in accordance with ASC 820, *Fair Value Measurement*, with changes in fair value recognized in the statement of operations and comprehensive loss in the period of change. As at March 31, 2021, the Company performed a valuation of the private warrants and as a result recorded a loss on remeasurement of approximately \$4,851 in its statement of operations and comprehensive loss.

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The Company determined the fair value of its private warrants using the Monte Carlo simulation model. The following assumptions were used to determine the fair value of the Private Warrants at March 31, 2021:

	<b>March 31, 2021</b>
Risk-free interest rate	<b>1.00%</b>
Expected volatility	<b>60 %</b>
Share price	<b>\$ 10.29</b>
Exercise price	<b>\$ 11.50</b>
Expiration date	<b>December 18, 2025</b>

- The risk-free interest rate assumptions are based on U.S. dollar zero curve derived from swap rates at the valuation date, with a term to maturity matching the remaining term of warrants.
- The expected volatility assumptions are based on average of historical volatility based on comparable industry volatilities and implied volatility of public warrants.

#### *Series D Convertible Notes due March 2022*

In connection with the issuance of the 2022 Convertible Notes, Clever Leaves issued 9,509 warrants to acquire Clever Leaves common shares to one of the noteholders. The warrants vest when the 2022 Convertible Note issued to the warrant holder is converted into shares and expire on March 30, 2023. The warrants will be cancelled if the 2022 Convertible Note issued to the warrant holder is repaid.

#### *Herbal Brands Acquisition*

In April 2019, the Company issued the Rock Cliff Warrants to purchase 193,402 Clever Leaves Class C convertible preferred shares on a 1:1 basis, at a strike price of \$8.79 per share. The fair value of the Rock Cliff Warrants was \$717. The warrants can be exercised in part or in whole at any time prior to the expiration date of May 3, 2021, and are not assignable, transferable, or negotiable.

In August 2020 and in connection with the Company's modification to the Herbal Brands Loan, the Company extended the expiration date of the Rock Cliff Warrants to May 3, 2023. Following the closing of the Business Combination and pursuant to the terms, the holder of the Rock Cliff Warrants can purchase 63,597 of the Company's common shares at a strike price of \$26.73 per share.

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**12. GENERAL AND ADMINISTRATION**

The components of general and administrative expenses were as follows:

	Three months ended	
	March 31, 2021	March 31, 2020
Salaries and benefits	\$ 3,326	\$ 4,546
Office and administration	1,186	628
Professional fees	2,234	1,396
Share based compensation	1,550	416
Rent	260	465
Other	186	669
<b>Total</b>	<b>\$ 8,742</b>	<b>\$ 8,120</b>

**13. SHARE-BASED COMPENSATION****Clever Leaves Holdings Inc. 2020 Incentive Award Plan**

In connection with the Business Combination, the Company adopted the Clever Leaves Holdings Inc. 2020 Incentive Award Plan (the “2020 Plan”) which provides for the Company to grant incentive stock options, nonqualified stock options, restricted share units and other shares-based awards to its employees, directors, officers, outside advisors and non-employee consultants.

As of March 31, 2021, the Company has reserved 2,813,215 common shares for issuance to its employees, directors, outside advisors and non-employee consultants pursuant to the 2020 Plan. Unless otherwise provided, at the time of grant, the options issued pursuant to the 2020 Plan generally expire ten years from the date of grant and generally vest over four years, with 25% of the award vesting in four equal installments. As of March 31, 2021 and December 31, 2020, 2,423,388 and 2,813,215 shares, respectively, were available for future grants of the Company’s common shares under the 2020 Plan.

**Clever Leaves Holdings Inc. 2020 Earnout Award Plan**

In connection with the Business Combination, the Company adopted the Clever Leaves Holdings Inc. 2020 Earnout Award Plan (the “Earnout Plan”). The purpose of the Earnout Plan is to provide equity awards following the Closing Date to certain directors, employees and consultants that have contributed to the Business Combination. Under the Earnout Plan, (i) shares constituting 50% of the share reserve will be issued only if the closing price of the Company's common shares on Nasdaq equals or exceeds \$2.50 per share (as adjusted for shares splits, reverse splits, stock dividends, reorganizations, recapitalizations or any similar event) for any 20 trading days within any consecutive 30 trading day period on or before the second anniversary of the Closing, and (ii) shares constituting the remaining 50% of the share reserve will be issued only if the closing price of the Company's common shares on Nasdaq equals or exceeds \$15.00 per share (as adjusted for stock splits, reverse splits, stock dividends, reorganizations, recapitalizations or any similar event) for any 20 trading days within any consecutive 30 trading day period on or before the fourth anniversary of the Closing. Equity awards granted prior to these hurdles being met will vest only if the applicable hurdles are achieved; equity awards granted following the hurdles being achieved need not include the hurdles. In addition, the Company’s board of directors may choose to impose additional vesting conditions. As of March 31, 2021 and December 31, 2020, 401,282 and 1,440,000 shares, respectively, were available for future grants of the Company’s common shares under the Earnout Plan. As of March 31, 2021, 1,038,718 shares have been granted under the Earnout Plan.

The 2018 Plan, 2020 Plan, and Earnout Plan are administered by the Company’s board of directors or, at the discretion of the Company’s board of directors, by a committee thereof. The exercise prices, vesting and other restrictions are determined at the

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discretion of the Company's board of directors, or its committee if so delegated. The Company's board of directors values the Company's common shares, taking into consideration the most recently available valuation thereof performed by third parties, as well as additional factors which may have changed since the date of the most recent contemporaneous valuation through the date of grant.

**Share-Based Award Valuation**

The following table presents the weighted-average assumptions used in the Black-Scholes-Merton option pricing model to determine the fair value of stock options and RSUs granted during periods presented:

	<b>Three Months Ended</b>
	<b>March 31, 2021</b>
Expected term	5.00 - 6.25
Risk-free interest rate	0.78 - 1.02%
Expected dividend yield	0.0%
Expected volatility	90 %

**Stock Options**

The following table summarizes the Company's stock option activity since December 31, 2020:

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
<b>Balance as at December 31, 2020</b>	<b>896,888</b>	<b>\$ 5.22</b>	<b>3.96</b>	<b>\$ 2,889</b>
Granted	51,434	\$ 14.40	9.92	
Exercised	—	\$ —	—	\$ —
Forfeited	—	\$ —	—	
<b>Balance as at March 31, 2021</b>	<b>948,322</b>	<b>\$ 6.15</b>	<b>4.06</b>	<b>\$ 3,922</b>
<b>Vested and expected to vest as at March 31, 2021</b>	<b>937,041</b>	<b>\$ 6.10</b>	<b>4.07</b>	<b>\$ 3,923</b>
<b>Vested and exercisable as at March 31, 2021</b>	<b>494,776</b>	<b>\$ 6.17</b>	<b>3.71</b>	<b>\$ 2,102</b>

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's common shares for all stock options that had exercise prices lower than the fair value of the Company's common shares.

The weighted-average grant-date fair value per share of share-based awards granted during the three months ended March 31, 2021 was \$0.60.

**Restricted Share Units**

*Time-based Restricted Share Units*

The fair value for time-based RSUs is based on the closing price of the Company's common shares on the grant date.

The following table summarizes the changes in the Company's time-based restricted share unit activity during the three months ended March 31, 2021:

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	Restricted Share Units	Weighted-Average Grant Date Fair Value
<b>Unvested as of December 31, 2020</b>	<b>78,634</b>	<b>\$ 3.25</b>
Granted	338,393	14.33
Vested	(7,713)	14.40
Canceled/forfeited	—	—
<b>Unvested as of March 31, 2021</b>	<b>409,314</b>	<b>\$ 12.47</b>

The total fair value of time-based RSUs vested during the three months ended March 31, 2021 and 2020 was \$11 and nil, respectively.

**Market-based Restricted Share Units**

During the three months ended March 31, 2021, the Company granted RSUs with both a market condition and a service condition (market-based RSUs) to the Company's employees. The market-based condition for these awards requires that the Company's common shares maintain a closing price equal to or greater than \$12.50 or \$15.00 per share for any 20 trading days within any consecutive 30 trading day period on or before December 18, 2022 or December 18, 2024, respectively. Provided that the market-based condition is satisfied, and the respective employee remains employed by the Company, the market-based restricted share units will vest in four equal annual installments on the applicable vesting date.

The following table presents the weighted-average assumptions used in the Monte Carlo simulation model to determine the fair value of the market-based restricted share units granted in the three months ended March 31, 2021:

	Three Months Ended	
	March 31, 2021	
Grant date share price	\$	14.40
Risk-free interest rate		0.5 %
Expected dividend yield		0.0 %
Expected volatility		90 %
Expected life (in years)		1.8 - 3.8

The following table summarizes the changes in the Company's market-based restricted share unit activity during the three months ended March 31, 2021:

	Restricted Share Units	Weighted-Average Grant Date Fair Value
<b>Unvested as of December 31, 2020</b>	<b>—</b>	<b>\$ —</b>
Granted	1,038,718	13.89
Vested	—	—
Canceled/forfeited	—	—
<b>Unvested as of March 31, 2021</b>	<b>1,038,718</b>	<b>\$ 13.89</b>

No market-based RSUs vested during the three months ended March 31, 2021 and no RSUs were granted during the three months ended March 31, 2020.

**Share-Based Compensation Expense**

During the three months ended March 31, 2021 and 2020, the Company recognized share-based compensation expense related



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to its stock options of \$356 and \$416, respectively, in general and administrative expense in the consolidated statement of operations. The stock-based compensation expense related to unvested stock option awards not yet recognized as of March 31, 2021 and 2020 was \$2,472 and \$370, respectively, which is expected to be recognized over a weighted-average period of 1.8 years and 2.5 years, respectively.

During the three months ended March 31, 2021 and 2020, the Company recognized share-based compensation expense related to its RSUs of \$1,194 and nil, respectively, in general and administrative expense in the consolidated statement of operations. The total compensation cost related to unvested RSU awards not yet recognized as of March 31, 2021 and 2020 was \$18,602 and nil, respectively, which is expected to be recognized over a weighted-average period of 3.2 years and 0 years, respectively.

The Company recognized total share-based compensation expense of \$1,550 and \$416 for the three months ended March 31, 2021 and 2020, respectively, in general and administrative expense in the consolidated statement of operations. Share-based compensation costs were not tax deductible for the periods presented.

#### **14. SEGMENT REPORTING**

Operating segments include components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (the Company's Chief Executive Officer, "CEO") in deciding how to allocate resources and in assessing the Company's performance.

Operating segments for the Company are organized by product type and managed by segment managers who are responsible for the operating and financial results of each segment. Due to the similarities in the manufacturing and distribution processes for the Company's products, much of the information provided in these consolidated financial statements and the footnotes to the consolidated financial statements, is similar to, or the same as, that information reviewed on a regular basis by the Company's CEO.

The Company's management evaluates segment profit/loss for each of the Company's operating segments. The Company defines segment profit/loss as income from continuing operations before interest, taxes, depreciation, amortization, share-based compensation expense, gains/losses on foreign currency fluctuations, gains/losses on the early extinguishment of debt and miscellaneous expenses. Segment profit/loss also excludes the impact of certain items that are not directly attributable to the reportable segments' underlying operating performance. Such items are shown below in the table reconciling segment profit to consolidated income from continuing operations before income taxes. The Company does not have any material inter-segment sales. Information about total assets by segment is not disclosed because such information is not reported to or used by the Company's CEO. Segment goodwill and other intangible assets, net, are disclosed in Note 9 and Note 8, respectively.

As of March 31, 2021, the Company's operations were organized in the following two reportable segments:

1. The Cannabinoid operating segment: comprised of the Company's cultivation, extraction, manufacturing and commercialization of cannabinoid products. This operating segment is in the early stages of commercializing cannabinoid products internationally pursuant to applicable international and domestic legislation, regulations, and other permits. The Company's principal customers and sales for its products will initially be outside of the U.S.
2. Non-Cannabinoid operating segment: comprised of the brands acquired as part of the Herbal Brands acquisition in April 2019. The segment is engaged in the business of formulating, manufacturing, marketing, selling, distributing, and otherwise commercializing homeopathic and other natural remedies, wellness products, detoxification products, nutraceuticals, and nutritional and dietary supplements. The Company's principal customers for its Herbal Brands products include mass retailers, specialty and health retailer and distributors in the U.S.

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The following table is a comparative summary of the Company's net sales and segment profit by reportable segment for the periods presented:

	Three months ended	
	March 31, 2021	March 31, 2020
<b>Segment Net Sales:</b>		
Cannabinoid	\$ 677	\$ 242
Non-Cannabinoid	2,800	2,672
Total Net Sales	3,477	2,914
<b>Segment Profit (Loss):</b>		
Cannabinoid	(2,864)	(5,401)
Non-Cannabinoid	612	480
Total Segment Loss	\$ (2,252)	\$ (4,921)
<b>Reconciliation:</b>		
Total Segment Loss	(2,252)	(4,921)
Unallocated corporate expenses	(3,387)	(1,804)
Non-cash share based compensation	(1,550)	(416)
Depreciation and amortization	(579)	(352)
Goodwill impairment	—	(1,682)
Loss from operations	\$ (7,768)	\$ (9,174)
Loss on fair value of derivative instrument	—	13
Loss(gain) on remeasurement of warrant liability	4,851	—
Loss on investments	—	161
Foreign exchange loss	759	48
Interest expense	978	836
Miscellaneous, net	(602)	(57)
Loss from operations before income taxes	\$ (13,754)	\$ (10,175)

During the three months ended March 31, 2021 and 2020, revenues from GNC and its affiliates accounted for approximately 19% and 36% of the Company's net sales; the net sales attributable to the GNC are reflected in the non-cannabinoid segment. During 2021 and 2020, the Company's net sales for the non-cannabinoid segment were in the U.S.; cannabinoid net sales were outside of the U.S., primarily in Colombia and Australia.

	March 31, 2021	December 31, 2020
<b>Long-lived assets</b>		
Cannabinoid	\$ 27,148	\$ 25,485
Non-Cannabinoid	162	176
Other <sup>(a)</sup>	26	19
	\$ 27,336	\$ 25,680

(a) "Other" includes long-lived assets primarily in the Company's corporate offices.

Long-lived assets consist of non-current assets other than goodwill; intangible assets, net; deferred tax assets; investments in unconsolidated subsidiaries and equity securities; and financial instruments. The Company's largest markets in terms of long-lived assets are Colombia and Portugal.

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The following table disaggregates the Company's revenues by channel for the for the periods presented:

	Three months ended	
	March 31, 2021	March 31, 2020
Mass retail	\$ 1,888	\$ 1,021
Specialty, health and other retail	225	312
Distributors	1,232	1,339
E-commerce	132	242
	<u>\$ 3,477</u>	<u>\$ 2,914</u>

#### 15. NET LOSS PER SHARE

Basic net loss per share is calculated by dividing net loss by the weighted-average number of common shares outstanding during the year, without consideration for common share equivalents. Diluted net loss per share is computed by dividing net loss by the weighted-average number of common share equivalents outstanding for the year determined using the treasury-stock method. For purposes of this calculation, common share warrants and stock options are considered to be common share equivalents and are only included in the calculation of diluted net loss per share when their effect is dilutive.

The following table sets forth the computation of basic and diluted net loss and the weighted average number of shares used in computing basic and diluted net loss per share:

	Three Months Ended	
	March 31, 2021	March 31, 2020
<b>Numerator:</b>		
Net loss	\$ (13,765)	\$ (10,186)
<b>Denominator:</b>		
Weighted-average common shares outstanding - basic and diluted	25,030,080	8,304,030
Net loss per share attributable to Clever Leaves Holdings Inc. common shareholders - basic and diluted	\$ (0.55)	\$ (1.23)

The Company's potentially dilutive securities, which include common stock warrants, stock options, and unvested restricted stock have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted-average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common shareholders is the same.

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The Company excluded the following potential common shares, presented based on amounts outstanding at March 31, 2021 and 2020, from the computation of diluted net loss per share attributable to common shareholders because including them would have had an anti-dilutive effect:

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Common stock warrants	17,850,460	—
SAMA earnout shares	570,211	—
Stock options	948,322	1,195,024
Unvested restricted share units	1,448,032	—
<b>Total</b>	<u><u>20,817,025</u></u>	<u><u>1,195,024</u></u>

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Our Company

We are a multi-national cannabis company with the mission to be an industry-leading global cannabinoid company recognized for our principles, people and performance while fostering a healthier global community. We are working to develop one of the industry's leading, low-cost global business-to-business supply chains with the goal of providing high quality, pharmaceutical grade cannabis and wellness products to customers and patients at competitive prices. In addition to the cannabinoid business, we are also engaged in the non-cannabinoid business of formulating, manufacturing, marketing, selling, distributing, and otherwise commercializing homeopathic and other natural remedies, wellness products, and nutraceuticals. We continue to invest in building a distribution network with a global footprint, with operations and investments in Colombia, Portugal, Germany, the United States and Canada.

Our business model is focused on partnering with leading and emerging cannabis businesses by providing them with lower cost product, variable cost structures, reliable supply throughout the year, and accelerated speed to market. This is achievable due to our production locations, capacity, product registrations and various product certifications. To date, we have had limited export shipments of our cannabis products to Australia, Brazil, Canada, Chile, Germany, Israel, Italy, the Netherlands, New Zealand, Peru, Poland, Spain, South Africa, the United Kingdom and the United States.

We manage our business in two segments: the Cannabinoid and Non-Cannabinoid segments.

1. The Cannabinoid operating segment is comprised of the Company's cultivation, extraction, manufacturing, commercialization, and distribution of cannabinoid products. This operating segment is in the early stages of commercializing cannabinoid products internationally subject to applicable international and state laws and regulations. All our customers and sales for our cannabinoid segment products are presently outside of the U.S.
2. The Non-Cannabinoid operating segment is comprised of the brands and manufacturing assets acquired as part of our acquisition of Herbal Brands. The segment is engaged in the business of formulating, manufacturing, marketing, selling, distributing, and otherwise commercializing wellness products and nutraceuticals, excluding cannabinoid products. Our principal customers for the Herbal Brands products include specialty and health retailers, mass retailers and specialty and health stores in the U.S.

### Factors Impacting our Business

We believe that our future success will primarily depend on the following factors:

**Globalization of the industry.** Due to our multi-national operator ("MNO") model focused on geographic diversification, which distinguishes us from many of our competitors and allows us to scale our production in low-cost regions of the world, we believe we are well positioned to capitalize in markets where the medical cannabis and hemp industry offers a reasonably regulated and free flow of goods across national boundaries. While certain countries, such as Canada, have historically not welcomed imported cannabis or hemp products for commercial purposes, other countries, such as Germany and Brazil, depend primarily on imports.

**Global medical market expansion.** We believe that we are well-positioned to capitalize on expansion of global cannabis markets, as more legal medical cannabis geographies emerge. Medical cannabis is now authorized at the national or federal level in over 41 countries, and more than half of these countries have legalized or introduced significant reforms to their cannabis-use laws to broaden the scope of permitted medical uses beyond the original parameters. Over the past three years, we have established regional operations in Canada, Colombia, Portugal, and Germany, and we have invested significant resources in personnel and partnerships to build the foundation for new export channels.

**Product development and innovation.** Because of the rapid evolution of the cannabis industry, the disparate regulations across different geographies, and the time required to develop and validate pharmaceutical-grade products, the pace at which we can expand our portfolio of products and formulations will impact market acceptance for our products. To increase our output while maintaining or reducing unit costs, we may need to enhance our cultivation, extraction, and other processing methods. We believe our focus on the production of proprietary and exclusive products or formulations that comply with stringent regulations, or that result in enhanced benefits for patients or consumers, could create advantages in various markets.

**Regulatory expertise and adaptation.** As more markets welcome the importation of cannabis or hemp products for commercial purposes, which requires navigating and complying with the strict and evolving cannabis regulations across the different geographies, we believe that we are well positioned to expand in these markets. Clever Leaves has built a global regulatory team that is experienced in developing good relationships with regulatory agencies and governments that govern and shape the cannabis industry in their respective jurisdictions. Key expertise includes complying with and securing quotas, product approvals, export permits, import permits and other geographic specific licenses.

**Strategically expanding productive capacity and manufacturing capabilities.** It is beneficial to have low operating costs and to control the production process to generate consistency and quality on a large scale. As we expand into new markets and grow our presence in existing markets, we expect significant investments in cultivation and processing will be required, which may necessitate additional capital raises. We also aim to increase productive capacity through innovation in cultivation or processing methods, improving yields and output levels of our existing assets. While we believe our core cultivation and extraction operations in Colombia are adequately sized for our current business operations, as our cannabis sales grow and expand to flower products, we plan to expand our operations and invest in advanced processing or finished good manufacturing capabilities, particularly in Colombia and Portugal.

### Key Operating Metrics

We use the following key operating metrics to evaluate our business and operations, measure our performance, identify trends affecting our business, project our future performance and make strategic decisions. Other companies, including companies in our industry, may calculate key operating metrics with similar names differently, which may reduce their usefulness as comparative measures.

The following table presents select operational and financial information of the Cannabinoid segment for the three months ended March 31, 2021 and 2020:

Operational information:	Three months ended March 31,				Change		
	2021		2020				
<i>(In \$000s, except kilogram and per gram data)</i>							
Kilograms (dry flower) harvested <sup>(a)</sup>		15,566		11,759	3,807	32 %	
Costs to produce <sup>(b)</sup>	\$	2,044	\$	1,744	\$	300	17 %
Costs to produce per gram	\$	0.13	\$	0.15	\$	(0.02)	(13)%
<b>Selected financial information:</b>							
Revenue	\$	663	\$	242	\$	421	N/M
Kilograms sold <sup>(c)</sup>		2,476		1,256		1,220	N/M
Revenue per grams sold	\$	0.27	\$	0.19	\$	0.08	42 %

*N/M: Not a meaningful percentage.*

(a) Kilograms (dry flower) harvested — represents the weight of dried plants post-harvest both for sale and for research and development purposes. This operating metric is used to measure the productivity of our farms.

(b) Costs to produce — includes costs associated with cultivation, extraction, depreciation, quality assurance and supply chain related to kilograms (dry flower) harvested.

(c) Kilograms sold — represents the amount in kilograms of product sold in dry plant equivalents. Extract is converted to dry plant equivalent for purposes of this metric.

During three months ended March 31, 2021 and 2020 we sold 2,476 and 1,256 kilograms, respectively, of dry flower equivalents. For the three months ended March 31, 2021, our cannabinoid segment sales were primarily in Colombia, Australia, Israel and Brazil. The increase was primarily driven by the Company continued expansion of its sales activity for cannabinoid products.

We harvested 15,566 kilograms of cannabinoids in the three months ended March 31, 2021, as compared to 11,759 kilograms in the three months ended March 31, 2020. The increase was primarily attributable to the expansion of our cultivation facilities in Colombia, as well as addition of production capacity in Portugal.

Costs to produce were approximately \$0.13 per gram of dry flower equivalent for the three months ended March 31, 2021, as compared to \$0.15 per gram of dry flower equivalent for the three months ended March 31, 2020. The decrease in costs to produce per gram is primarily driven by the expansion of our cultivation facilities in Colombia and the resulting economies of scale, partly offset by higher cost per gram in Portugal.

## **Recent Developments**

### ***COVID-19 Pandemic***

The Company expects its operations to continue to be affected by the ongoing outbreak of the 2019 coronavirus disease ("COVID-19"), which was declared a pandemic by the WHO in March 2020. The spread of COVID-19 has severely impacted many economies around the globe. In many countries, including those where the Company operates, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced increased volatility and, in certain cases, significant declines.

Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions and the Company has taken steps to obtain financial assistance made available from jurisdictional governments, however the Company expects its 2021 financial performance to continue to be impacted and result in a delay of certain of its go-to-market initiatives.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear. It is not possible to reliably estimate the duration and severity of these consequences, nor their impact on the financial position and results of the Company for future periods.

We continue to monitor closely the impact of COVID-19, with a focus on the health and safety of our employees, and business continuity. We have implemented various measures to reduce the spread of the virus including requiring that our non-production employees work from home, restricting visitors to production locations, screening employees with infrared temperature readings and requiring them to complete health questionnaires on a daily basis before they enter facilities, implementing social distancing measures at our production locations, enhancing facility cleaning protocols, and encouraging employees to adhere to preventative measures recommended by the WHO. Our global operational sites have been reduced to business-critical personnel only and physical distancing measures are in effect. In addition, since our non-production workforce can effectively work remotely using various technology tools, we are able to maintain our full operations. Although our operational sites remain open, mandatory or voluntary self-quarantines may further limit the staffing of our facilities.

For more information on the potential impact of COVID-19 on our business, refer to *Risk Factors — Risks Related to Our Business — The current outbreak of the novel coronavirus, or COVID-19, has caused severe disruptions in the global economy and to our business, and may have an adverse impact on our performance and results of operations* in our Annual Report on Form 10-K/A for the year ended December 31, 2020 ("2020 Form 10-K").

### ***Portugal Licensing***

In August 2020, we received a provisional license from the National Authority of Medicines and Health Products, the Portuguese pharmaceutical regulator ("INFARMED") to cultivate, import and export dried cannabis flower produced at our Portuguese cultivation site and in March 2021, we received our definitive license. Under the current license granted by INFARMED, our production facility in Portugal is currently cultivating cannabis for commercial purposes. Our Portugal facility received the Good Agricultural and Collection Practices ("GACP") certificate in March 2021. To maintain the GACP certificate, we must cultivate and operate under GACP guidelines.

These certificates must be renewed annually.

### ***Closing of the Business Combination***

On December 18, 2020, Clever Leaves and SAMA consummated the previously announced Business Combination contemplated by the Amended and Restated Business Combination Agreement, dated as of November 9, 2020, by and among SAMA, Clever Leaves, the Company and Merger Sub.

Pursuant to the Business Combination Agreement, each of the following transactions occurred in the following order: (i) pursuant to a court-approved Canadian plan of arrangement (the “Plan of Arrangement” and the arrangement pursuant to such Plan of Arrangement, the “Arrangement”), at 11:59 p.m., Pacific time, on December 17, 2020 (2:59 a.m., Eastern time, on December 18, 2020) (a) all of the Clever Leaves shareholders exchanged their Class A common shares without par value of Clever Leaves (“Clever Leaves common shares”) for our common shares without par value (“common shares”) and/or non-voting common shares without par value (“non-voting common shares”) (as determined in accordance with the Business Combination Agreement) and (b) certain Clever Leaves shareholders received approximately \$3,100 in cash in the aggregate (the “Cash Arrangement Consideration”), such that, immediately following the Arrangement, Clever Leaves became our direct wholly-owned subsidiary; (ii) at 12:01 a.m., Pacific time (3:01 a.m. Eastern time), on December 18, 2020, Merger Sub merged with and into SAMA, with SAMA surviving such merger as our direct wholly-owned subsidiary (the “Merger”) and, as a result of the Merger, all of the shares of SAMA common stock were converted into the right to receive common shares as set forth in the Business Combination Agreement; (iii) immediately following the consummation of the Merger, we contributed 100% of the issued and outstanding capital stock of SAMA (as the surviving corporation of the Merger) to Clever Leaves, such that, SAMA became a direct wholly-owned subsidiary of Clever Leaves; and (iv) immediately following the contribution of SAMA to Clever Leaves, Clever Leaves contributed 100% of the issued and outstanding shares of NS US Holdings, Inc., a Delaware corporation and a wholly-owned subsidiary of Clever Leaves, to SAMA. Upon the closing of the Merger, SAMA changed its name to Clever Leaves US, Inc.

On December 18, 2020, SAMA’s units, shares of SAMA common stock and warrants ceased trading on The Nasdaq Stock Market (“Nasdaq”), and our common shares and warrants began trading on Nasdaq under the symbols “CLVR” and “CLVRW,” respectively.

### ***Convertible Note Amendments***

In connection with the Business Combination, on November 9, 2020, Clever Leaves and the noteholders agreed to amend the terms of the 2022 Convertible Notes to, among other matters, decrease the interest rate to 8%, commencing January 1, 2021, and provide that such interest is to be paid in cash, quarterly in arrears, and also provides the Company with the option to satisfy the payment of quarterly interest by issuing common shares to the noteholders.

Following the closing of the Business Combination, the 2022 Convertible Notes remained outstanding, but are convertible into our common shares in accordance with their terms. For additional detail see “ - *Liquidity and Capital Resources - Debt - Convertible Note Amendments*” our unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021 included in this Form 10-Q.

### ***EU GMP Certification***

On July 8, 2020, Clever Leaves received European Union Good Manufacturing Practices (“EU GMP”) certification from the Croatian Agency for Medicinal Products and Medical Devices for its post-harvest and extraction facilities located in Colombia. EU GMP certification is expected to expand Clever Leaves’ ability to serve the burgeoning European medical cannabis and hemp markets, which have rigorous quality, compliance, and regulatory requirements. Because we are among a small number of companies globally to have earned EU GMP certification, EU GMP certification is also expected to expand our early mover advantage in the pharmaceutical channel as global demand increases and more legal cannabis geographies emerge.

### ***Portugal Licensing***

In August 2020, we received a license from INFARMED to cultivate, import and export dried cannabis flower produced at our Portuguese cultivation site and, similar to other licensed cannabis companies in Portugal, we are listed as of August 2020 on INFARMED’s Licensing Department’s registry. Due to the COVID-19 pandemic and restrictions on INFARMED’s ability to conduct a physical inspection of our Portuguese operation, the license was issued under a special licensing procedure and requires a confirmatory physical inspection from INFARMED. Our license provides our Portuguese operations the same rights and qualifications as licenses issued under the normal procedures, including the ability to conduct commercial operations. The physical inspection took place on August 27, 2020 and, upon successful completion of the inspection review, we expect our current license to be replaced with a license issued under the normal procedures. Under the current license granted by



INFARMED, our production facility in Portugal is currently cultivating cannabis for commercial purposes. Our Portugal facility received the GACP certificate in March 2021. To maintain the GACP certificate, we must cultivate and operate under GACP guidelines.

**Components of Results of Operations**

**Revenue** — in our Cannabinoid segment, revenue is primarily comprised of sales of our cannabis products, which currently include cannabidiol isolate, full spectrum and standardized extracts. In our Non-Cannabinoid segment, revenue is primarily composed of sales of our nutraceutical products to our retail customers. As we have only recently begun to carry out our cannabinoid sales operations, our main revenues are derived from our Herbal Brands business.

**Cost of Sales** — in our Cannabinoid segment, cost of sales is primarily composed of pre-harvest, post-harvest and shipment and fulfillment. Pre-harvest costs include labor and direct materials to grow cannabis, which includes water, electricity, nutrients, integrated pest management, growing supplies and allocated overhead. Post-harvest costs include costs associated with drying, trimming, blending, extraction, purification, quality testing and allocated overhead. Shipment and fulfillment costs include the costs of packaging, labelling, courier services and allocated overhead. Total cost of sales also includes cost of sales associated with accessories and inventory adjustments. In our Non-Cannabinoid segment, cost of sales primarily includes raw materials, labor, and attributable overhead, as well as packaging labelling and fulfillment costs.

**Results of Operations**

*Three months ended March 31, 2021 compared to three months ended March 31, 2020*

**Consolidated Statements of Net Loss Data**

*(in thousands of U.S. dollars)*

	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Revenue	\$ 3,477	\$ 2,914
Cost of sales	(1,246)	(753)
Gross profit	2,231	2,161
General and administrative expenses	8,742	8,120
Sales and marketing expenses	678	1,181
Goodwill impairment	—	1,682
Depreciation and amortization expenses	579	352
Loss from operations	(7,768)	(9,174)
Interest expense, net	978	836
Loss on remeasurement of warrant liability	4,851	—
Loss on investments	—	161
Loss on fair value of derivative instrument	—	13
Foreign exchange loss	759	48
Other (income) expenses, net	(602)	(57)
Total other expenses, net	5,986	1,001
Loss before income taxes	(13,754)	(10,175)
Current income tax recovery	—	—
Deferred current income tax recovery	—	—
Equity investments and securities loss	11	11
Net loss	\$ (13,765)	\$ (10,186)
Net loss attributable to non-controlling interest	—	(904)
Net loss attributable to Company	\$ (13,765)	\$ (9,282)

**Revenue by Channel**

(in thousands of U.S. dollars)

The following table provides our revenues by channel for the three months ended March 31, 2021 and 2020.

	Three months ended March 31,	
	2021	2020
Mass retail	\$ 1,888	\$ 1,021
Specialty, health and other retail	225	312
Distributors	1,232	1,339
E-commerce	132	242
<b>Total</b>	<b>\$ 3,477</b>	<b>\$ 2,914</b>

**Revenue**

Revenue increased to \$3,477 for the three months ended March 31, 2021 from \$2,914 for the three months ended March 31, 2020. The increase was driven primarily by the increased sales in our Cannabinoid segment as the Company expands its sales pipeline.

**Cost of sales**

Cost of sales increased to \$1,246 for the three months ended March 31, 2021 as compared to \$753 for the three months ended March 31, 2020. The increase is due to increase in sales from both the Cannabinoid and Non-Cannabinoid segments in 2021.

**Operating expenses**

(in thousands of U.S. dollars)

	Three months ended March 31,		Change	
	2021	2020		
General and administrative	\$ 8,742	\$ 8,120	\$ 622	8 %
Sales and marketing	678	1,181	(503)	(43)%
Goodwill impairment	—	1,682	(1,682)	(100)%
Depreciation and amortization	579	352	227	64 %
<b>Total operating expenses</b>	<b>\$ 9,999</b>	<b>\$ 11,335</b>		

**(as a percentage of revenue)**

General and administrative	N/M	N/M
Sales and marketing	19 %	41 %
Goodwill impairment	— %	58 %
Depreciation and amortization	17 %	12 %
Total operating expenses	N/M	N/M

N/M: Not a meaningful percentage

*General and administrative.* General and administrative expenses increased to \$8,742 for the three months ended March 31, 2021 from \$8,120 for the three months ended March 31, 2020. The increase was primarily due to higher legal and professional fees related to public company requirements, and higher office and administration expense, driven mainly by insurance costs. The increase was partly offset by lower overall employee costs, driven by measures taken in response to the COVID-19 pandemic in 2020, mostly offset by an increase in share-based compensation.

*Sales and marketing.* Sales and marketing expenses decreased to \$678 for the three months ended March 31, 2021 from \$1,181 for the three months ended March 31, 2020, primarily due to our cost control measures to address the impact from the COVID-19 pandemic.

*Goodwill impairment.* For the three months ended March 31, 2020, the Company recognized a goodwill impairment of \$1,682 related to our Herbal Brands business. For more information, see Note 8. and Note 10. to our 2020 Form 10-K.

*Depreciation and amortization.* Depreciation and amortization expense increased to \$579 for the three months ended March 31, 2021 from \$352 for the three months ended March 31, 2020, primarily due to capital expenditures for the expansion of our cultivation and extraction assets. Additionally, the increase is attributable to the higher amortization expense during the three months ended March 31, 2021 due to increase of in-use assets, as well as the acceleration of the period over which the useful life of the GNC intangible asset is amortized.

**Non-operating income and expenses**

(in thousands of U.S. dollars)

	Three Months Ended March 31,		Change	
	2021	2020		
Interest expense, net	\$ 978	\$ 836	\$ 142	17 %
Loss on remeasurement of warrant liability	4,851	—	4,851	N/M
Loss on other investments	—	161	(161)	(100)%
Loss on fair value of derivative instrument	—	13	(13)	(100)%
Foreign exchange loss	759	48	711	N/M
Other (income) expenses, net	(602)	(57)	(545)	N/M
<b>Total</b>	<b>\$ 5,986</b>	<b>\$ 1,001</b>	<b>\$ 4,985</b>	<b>N/M</b>

N/M: Not a meaningful percentage

*Interest expense, net.* Interest expense, net for the three months ended March 31, 2021 was \$978 compared to \$836 for the three months ended March 31, 2020. The increase was primarily attributable to increased interest expense associated with the additional paid-in-kind interest on the Herbal Brands loan, as well as higher debt issuance costs. The increase is partly offset by the lower interest rate on the 2022 Convertible Notes following the 2020 Convertible Note Amendments. For additional details, see Note 10. to our unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021 included in this Form 10-Q.

*Loss on remeasurement of warrant liability.* Loss on remeasurement was \$4,851 for the three months ended March 31, 2021 compared to nil for the three months ended March 31, 2020. The loss is directly attributable to the remeasurement of the warrant liability at March 31, 2021. For more information refer to Note 11. to our unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021 included in this Form 10-Q.

*Loss on investments.* Loss on investment was nil for the three months ended March 31, 2021 compared to a loss of \$161 for the three months ended March 31, 2020. The loss on investments for the three months ended March 31, 2020 was primarily related to the decline in the carrying value of our investments in Lift & Co. shares and Cansativa.

*Loss on fair value of derivative instrument.* The loss for the three months ended March 31, 2020 was driven by the fair value of the underlying derivative instruments.

*Foreign exchange loss.* The impact of foreign exchange for the three months ended March 31, 2021 was a loss of \$759 compared to a loss of \$48 for the three months ended March 31, 2020. The foreign exchange losses for the three months ended March 31, 2021 were primarily driven by the currency fluctuations of the Euro versus the U.S. Dollar.

*Other (income) expenses, net.* Other (income) expenses, net includes costs not individually material to our consolidated financial statements.

**Operating Results by Business Segment**

Our management evaluates segment profit/loss for each of the Company's reportable segments. We define segment profit/loss as income from continuing operations before interest, taxes, depreciation, amortization, stock-based compensation expense, gains/losses on foreign currency fluctuations, gains/losses on the early extinguishment of debt and miscellaneous expenses. Segment profit/loss also excludes the impact of certain items that are not directly attributable to the reportable segments' underlying operating performance. For a reconciliation of segment profit to loss from continuing operations before income taxes, see Note 14. to our unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021 included in this Form 10-Q.

**Revenue by segment**

(in thousands of U.S. dollars)

	Three months ended March 31,	
	2021	2020
<b>Segment Revenue:</b>		
Cannabinoid	\$ 677	\$ 242
Non-Cannabinoid	2,800	2,672
Total Revenue	<u>\$ 3,477</u>	<u>\$ 2,914</u>

*Cannabinoid.* Cannabinoid revenue increased to \$677 for the three months ended March 31, 2021, from \$242 for the three months ended March 31, 2020, driven primarily by our continued push to expand our Cannabinoid sales operations.

*Non-Cannabinoid.* Revenue for the three months ended March 31, 2021 increased to \$2,800 from \$2,672 for the three months ended March 31, 2020 and is attributable to the Herbal Brands business in the U.S. The increase was partly driven by favorable mix.

**Segment profit/loss**

(in thousands of U.S. dollars)

	Three months ended March 31,		Change	
	2021	2020	\$	%
<b>Segment Profit/(Loss):</b>				
Cannabinoid	\$ (2,864)	\$ (5,401)	2,537	(47)%
Non-Cannabinoid	612	480	132	28 %
Total Segment Loss <sup>(a)</sup>	<u>\$ (2,252)</u>	<u>\$ (4,921)</u>	<u>2,669</u>	<u>(54)%</u>

<sup>(a)</sup> For a reconciliation of segment profit/(loss) to loss before income taxes see Note 14. to our unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021 included in this Form 10-Q.

*Cannabinoid* — Cannabinoid segment loss decreased to \$2,864 for the three months ended March 31, 2021 from \$5,401 for the three months ended March 31, 2020, primarily due to cost control measures implemented by us starting in the second quarter of 2020, as well as increased sales of cannabinoid products. The decrease was partly offset by costs incurred from the expansion of our operations in Colombia and Portugal.

*Non-Cannabinoid* — Non-Cannabinoid segment profit increased to \$612 for the three months ended March 31, 2021 compared to \$480 the three months ended March 31, 2020. The increase is primarily attributable to cost control measures implemented during the second quarter of 2020, which continued through the first quarter of 2021, as well as increased sales.

**Liquidity and Capital Resources**

The following table sets forth the major components of our Consolidated Statements of Cash Flows for the periods presented:

(in thousands of U.S. dollars)

	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Net cash used in operating activities	\$ (10,627)	\$ (7,221)
Net cash used in investing activities	(2,216)	(1,655)
Net cash provided by financing activities	2,633	16,966
Effect of foreign currency translation on cash and cash equivalents	(75)	(13)
Cash, cash equivalents, and restricted cash beginning of period	79,460	13,198
Cash, cash equivalents, and restricted cash end of period	69,175	21,275
(Decrease) increase in cash and cash equivalents	\$ (10,285)	\$ 8,077

*Cash flows used in operating activities*

The change in net cash used by operating activities during the three months ended March 31, 2021 compared to the three months ended March 31, 2020, was primarily related to changes in use of working capital, partly offset by a lower net loss, net of non-cash items.

*Cash flows from investing activities*

The increase in net cash used in investing activities during the three months ended March 31, 2021 compared to the three months ended March 31, 2020, was primarily related to higher capital expenditures in Portugal.

*Cash flows from financing activities*

The decrease in net cash provided by financing activities during the three months ended March 31, 2021, compared to the three months ended March 31, 2020, was primarily due to the higher proceeds from debt and equity financings in the first quarter of 2020 compared to the first quarter of 2021.

**Sources of Liquidity**

We have historically financed our operations through the issuance of shares, the sale of convertible debentures and cash from operations. In connection with the closing of the Business Combination we received approximately \$73,509 of net proceeds (refer to Note 7. to the unaudited condensed consolidated interim financial statements included within this Form 10-Q). As of March 31, 2021, and December 31, 2020, we had cash and cash equivalents of \$68,724 and \$79,107, respectively, which were held for working capital and general corporate purposes. This represents an overall decrease of \$10,383.

We have had operating losses and negative cash flows from operations since inception and expect to continue to incur net losses for the foreseeable future until such time, if ever, that we can generate significant revenues from the sale of our available inventories. We anticipate that we will continue to incur losses from operations due to pre-commercialization activities, marketing and manufacturing activities, and general and administrative costs to support operations.

We have historically been able to manage liquidity requirements through cost management and cost reduction measures, supplemented with raising additional financing. While we have been successful in raising financing in the past, and did so as recently as the fourth quarter of 2020, there can be no assurances that additional financing will be available when needed on acceptable terms, or at all. The continued spread of COVID-19 and uncertain market conditions may further limit our ability to access capital. If we are not able to secure adequate additional funding, we may be forced to make reductions in spending, extend payment terms with suppliers, and suspend or curtail planned programs. Any of these actions could materially harm our business, results of operations, financial condition, and prospects.

### ***Uses of Liquidity***

Our primary need for liquidity is to fund working capital requirements, capital expenditures, debt service obligations and for general corporate purposes. Our ability to fund operations and make planned capital expenditures and debt service obligations depends on future operating performance and cash flows, which are subject to prevailing economic conditions and financial, business and other factors. Our consolidated interim financial statements have been prepared on a going concern basis, which assumes that we will continue to be in operation for the foreseeable future and, accordingly, will be able to realize our assets and discharge our liabilities in the normal course of operations as they come due.

We manage our liquidity risk by preparing budgets and cash forecasts to ensure we have sufficient funds to meet obligations. In managing working capital, we may limit the amount of our cash needs by selling inventory at wholesale rates, pursuing additional financing sources, and managing the timing of capital expenditures. While we believe we have sufficient cash to meet working capital requirements in the short term, we may need additional sources of capital and/or financing, to meet planned growth requirements and to fund construction activities at our cultivation and processing facilities.

We believe that cash on hand is sufficient to satisfy the Company's estimated liquidity needs during the twelve months from the issuance of the consolidated financial statements for the three months ended March 31, 2021. If this amount is subsequently insufficient for us to continue to operate as a going concern, we may need to raise additional cash through debt, equity or other forms of financing to fund future operations which may not be available on acceptable terms, or at all.

### ***Debt***

Total net debt outstanding as of March 31, 2021 was \$35,190. The balance is comprised of the 2022 Convertible Notes of approximately \$27,750 issued in March 2019, the debt of \$8,500 issued to finance the Herbal Brands acquisition in April 2019, the debt related to Portugal Line of Credit, as well as other borrowings, net of principal repayments for the Herbal Brands Loan and debt issuance costs. For more information, see Note 10. to our unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021 included in this Form 10-Q.

Total debt outstanding as of December 31, 2020 was \$33,843. The balance is comprised of the 2022 Convertible Notes of approximately \$27,750 issued in March 2019, the debt of \$8,500 issued to finance the Herbal Brands acquisition in April 2019, as well as other borrowings, net of principal repayments for the Herbal Brands Loan and debt issuance costs.

#### ***Portugal Line of Credit***

In January 2021, Clever Leaves Portugal Unipessoal LDA borrowed EURO 1 million (the "Portugal Line of Credit"), from a local lender, S.A., (the "Portugal Lender") under the terms of its credit line agreement. The Portugal Line of Credit pays interest quarterly at a rate of Euribor plus 3.0 percentage points. Principal will be repaid through quarterly installments of approximately EURO 62,500 beginning February 28, 2022. As of March 31, 2021, the full amount borrowed was outstanding under the Portugal Line of Credit.

#### ***Herbal Brands Debt***

In April 2019, to facilitate the financing the Herbal Brands acquisition, Herbal Brands entered into the Herbal Brands Loan with, and issued warrants to, a third-party lender, Rock Cliff Capital LLC ("Lender").

The Herbal Brands Loan is a non-revolving loan with a principal amount of \$8,500 and interest of 8% per annum due and payable in arrears on the first day of each fiscal quarter, commencing July 1, 2019, and calculated based on the actual number of days elapsed. In addition, Herbal Brands is required to pay in kind interest ("PIK") on the outstanding principal amount of the Herbal Brands Loan from August 27, 2020 until payment in full at a rate equal to 4.0% per annum, with such PIK interest being capitalized as additional principal to increase the outstanding principal balance of the Herbal Brands Loan on the first day of each fiscal quarter. The Herbal Brands Loan is to be repaid or prepaid prior to its maturity date of May 2, 2023. On a quarterly basis, the loan requires Herbal Brands to repay 85% of positive operating cash flows. Herbal Brands can also choose to prepay a portion of the Herbal Brands Loan, subject to a fee equal to the greater of (1) zero, and (2) \$2,337, net of interest payments already paid (excluding PIK interest paid and PIK interest capitalized as outstanding principal) on such prepayment date. The Herbal Brands Loan is guaranteed by certain subsidiaries of the Company, secured by Herbal Brands' assets and equity interests in Herbal Brands and is subject to certain covenants. The Herbal Brands Loan remained outstanding following the closing of the Business Combination.

Concurrently with the execution of the Herbal Brands Loan, Clever Leaves issued warrants to the Lender to purchase 193,402 Class C preferred shares of Clever Leaves on a 1:1 basis, at a price of \$8.79 per share. The warrants can be exercised in whole

or in part at any time prior to the expiration date of May 3, 2021, and are not assignable, transferable, or negotiable. Following the closing of the Business Combination, the warrants issued to the Lender remained outstanding but entitle the Lender to purchase common shares of the Company rather than common shares of Clever Leaves.

On August 27, 2020, we amended certain terms of the Herbal Brands Loan to provide for an additional interest of 4% per annum, compounding quarterly and payable in-kind at maturity. In addition, we extended the expiry date of the outstanding 193,402 warrants until May 3, 2023. As part of the amendment, the parties agreed to defer the covenant testing under the Herbal Brands Loan until September 30, 2021.

Following the closing of the Business Combination and pursuant to the terms, the holder of the Rock Cliff Warrants can purchase 63,597 of the Company's common shares at a strike price of \$26.73 per share.

#### *Convertible notes*

In March 2019, as part of the Series D financing, Clever Leaves issued \$27,750 aggregate principal amount of secured convertible notes (the “2022 Convertible Notes”) with a maturity date of March 30, 2022 (the “2022 Maturity Date”). The 2022 Convertible Notes initially had an interest of 8% per annum, payable quarterly in cash in arrears. The 2022 Convertible Notes are guaranteed by certain subsidiaries of Clever Leaves and are secured by pledged equity interests in certain subsidiaries. In March 2020 and June 2020, Clever Leaves and the noteholders amended the terms of the 2022 Convertible Notes, to increase in the interest rate to 10% from January 1, 2020 and provided that such interest is to be paid in-kind on the 2022 Maturity Date.

In connection with the Business Combination, on November 9, 2020, Clever Leaves and the noteholders agreed to amend the terms of the 2022 Convertible Notes to: (i) decrease the interest rate to 8%, commencing January 1, 2021, and provide that such interest is to be paid in cash, quarterly in arrears; (ii) provide for the payment of all accrued and outstanding interest from January 1 to December 31, 2020 to be made in the form of PIK Notes; to consent to the transfer of the PIK Notes to SAMA in exchange for the PIPE Shares to be issued as part of the SAMA PIPE pursuant to the terms of the Subscription Agreements; (iii) at the option of Clever Leaves, satisfy the payment of quarterly interest by issuing our common shares to the noteholders, at a price per share equal to 95% of the 10-Day VWAP; (iv) at the option of Clever Leaves, prepay, in cash, any or all amounts outstanding under the 2022 Convertible Notes at any time without penalty; (v) at the option of Clever Leaves on each quarterly interest payment date, repay principal and any other amounts outstanding under the 2022 Convertible Notes up to the lesser of (a) \$2,000, or (b) an amount equal to four times the average value of the daily volume of common shares traded during the 10-Day VWAP period, of the total amounts outstanding under the 2022 Convertible Notes at such time by issuing common shares to the noteholders at a price per share equal to 95% of the 10-Day VWAP; and (vi) at the option of each noteholder, in the event, following the Merger Effective Time, Clever Leaves, the Company or any of their respective affiliates proposes to issue equity securities for cash or cash equivalents (the “Equity Financing”) (save and except for certain exempt issuances) at any time after Clever Leaves, the Company or any of their respective affiliates completes one or more equity financings raising, in aggregate, net proceeds of \$25,000 (net of reasonable fees, including reasonable accounting, advisory and legal fees, commissions and other out-of-pocket expenses and inclusive of net cash retained as a result of the Business Combination on the Merger Effective Time), convert an amount of principal and/or accrued interest owing under the 2022 Convertible Notes into subscriptions to purchase up to the noteholder’s pro rata share of 25% of the total securities issued under such Equity Financing on the same terms and conditions as such Equity Financing is offered to subscribers; provided, however, that if the noteholder does not elect to participate in such Equity Financing through the conversion of amounts owing under the 2022 Convertible Notes, then Clever Leaves shall be required to repay, in cash within five (5) business days following the closing of such Equity Financing, an amount equal to the noteholder’s pro rata share of 25% of the total net proceeds raised from such Equity Financing (collectively, the “November 2020 Convertible Note Amendments”).

In connection with the November 2020 Convertible Note Amendments, the Required Holders (as that term is defined in the amended and restated intercreditor and collateral agency agreement, dated as of May 10, 2019, in respect of the 2022 Convertible Notes) have agreed to waive Clever Leaves’ required compliance with certain restrictive covenants set forth in the 2022 Convertible Notes, solely for the purposes of allowing Clever Leaves, the Company and their affiliates to complete the Business Combination, and have agreed to direct GLAS Americas LLC, as collateral agent in respect of the 2022 Convertible Notes, to further provide its consent therefor.

In connection with the consummation of the Business Combination, the Company, 1255096 B.C. Ltd., an indirect subsidiary of the Company, and Clever Leaves US, Inc. (as the surviving corporation of the Merger) each entered into a guarantee agreement in favor of GLAS Americas LLC, as the collateral agent, in respect of the 2022 Convertible Notes and became guarantors thereunder. In addition, the terms of the amended and restated pledge agreement, dated as of May 10, 2019, made by Clever Leaves in favor of the collateral agent was further amended and restated pursuant to a second amended and restated pledge

agreement such that Clever Leaves pledged all of the shares in the capital of each of 1255096 B.C. Ltd. and Clever Leaves US, Inc. (as the surviving corporation of the Merger) in favor of the collateral agent. In addition, the Company pledged all of the shares in the capital of Clever Leaves in favor of the collateral agent, 1255096 B.C. Ltd. pledged all of the shares in the capital of Northern Swan International, Inc. in favor of the collateral agent, and Clever Leaves US, Inc. pledged all of the shares in the capital of NS US Holdings, Inc. in favor of the collateral agent, each pursuant to a pledge agreement.

Following the closing of the Business Combination, the 2022 Convertible Notes remained outstanding, but are convertible into our common shares in accordance with their terms. In connection with the issuance of the 2022 Convertible Notes, Clever Leaves issued 9,509 warrants to acquire Clever Leaves common shares to one of the noteholders. The warrants vest when the 2022 Convertible Note issued to the warrant holder is converted into shares and expire on March 30, 2023. The warrants will be cancelled if the 2022 Convertible Note issued to the warrant holder is repaid.

In October 2018, as part of the Series C financing, Clever Leaves issued \$17,890 aggregate principal amount of noninterest bearing unsecured convertible debentures due 2021 (the "2021 Convertible Debentures"). The 2021 Convertible Debentures had a maturity date of September 30, 2021. All of the 2021 Convertible Debentures were converted into an aggregate of 2,546,670 of Class C preferred shares in March 2019.

### **Contingencies**

In the normal course of business, we receive inquiries or become involved in legal disputes regarding various litigation matters. In the opinion of management, as of March 31, 2021 any potential liabilities resulting from claims we have received would not have a material adverse effect on our consolidated financial statements.

### **Off-Balance Sheet Arrangements**

We did not have off-balance sheet arrangements during the periods presented, other than the obligations discussed above.

### **Critical Accounting Policies and Significant Judgments and Estimates**

See Part II, Item 7, "Critical Accounting Policies and Estimates" in our 2020 Form 10-K. There have been no material changes to our critical accounting policies and estimates since our 2020 Form 10-K.

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

There have been no material changes to our exposures to market risk since December 31, 2020.



#### **Item 4. Controls and Procedures**

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of March 31, 2021. Our disclosure controls and procedures are designed to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures, and is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of March 31, 2021 were not effective due to a material weakness as described below.

##### **Previously Identified Material Weakness**

As disclosed in our 2020 Form 10-K, in connection with the audit of the Company's financial statements as of and for the year ended December 31, 2020, our management identified a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified relates to the fact that the Company has not yet designed and maintained an effective control environment commensurate with its financial reporting requirements, including a) lack of a sufficient number of trained professionals with an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely and accurately, and to allow for proper segregation of duties b) lack of structures, reporting lines and appropriate authorities and responsibilities to achieve financial reporting objectives, and c) lack of evidence to support the performance of controls and the adequacy of review procedures, including the completeness and accuracy of information used in the performance of controls.

##### **Remediation Plan**

Management is committed to taking the steps necessary to remediate the control deficiencies that constituted the above material weakness. We have made the following enhancements to our control environment:

- a. We added accounting and finance personnel to the Company and one of our key subsidiaries to strengthen our internal accounting team, to provide additional individuals to allow for segregation of duties in the preparation and review of schedules, calculations, and journal entries that support financial reporting, to provide oversight, structure and reporting lines, and to provide additional review over our disclosures;
- b. We enhanced our controls to improve the preparation and review over complex accounting measurements, and the application of GAAP to significant accounts and transactions, and our financial statement disclosures; and,
- c. We engaged outside consultants to assist us in our evaluation of the design, implementation, and documentation of internal controls that address the relevant risks, and that provide for appropriate evidence of performance of our internal controls (including completeness and accuracy procedures).

Our remediation activities are ongoing during 2021. In addition to the above actions, we expect to engage in additional activities, including, but not limited to:

- a. Adding more technical accounting resources to enhance our control environment;
- b. Until we have sufficient technical accounting resources, engaging external consultants to provide support and to assist us in our evaluation of more complex applications of GAAP, and to assist us with documenting and assessing our accounting policies and procedures; and,
- c. Engaging outside consultants to assist us in providing technical Sarbanes-Oxley Act training to individuals throughout the organization that are responsible for executing internal controls.

Under the direction of the audit committee of the board of directors, management will continue to take measures to remediate the material weakness in 2021. As such, we will continue to enhance corporate oversight over process-level controls and structures to ensure that there is appropriate assignment of authority, responsibility, and accountability to enable remediation of

our material weakness. We believe that our remediation plan will be sufficient to remediate the identified material weakness and strengthen our internal control over financial reporting.

We believe the corrective actions and controls need to be in operation for a sufficient period for management to conclude that the control environment is operating effectively and has been adequately tested through audit procedures. Therefore, the material weakness has not been remediated as of the date of this report.

As we continue to evaluate, and work to improve, our internal control over financial reporting, management may determine that additional measures to address control deficiencies or modifications to the remediation plan are necessary.

*Changes in Internal Control over Financial Reporting*

The Company is in the process of implementing certain changes in its internal controls to remediate the material weakness described above. Except as noted above, no change to our internal control over financial reporting occurred during the three months ended March 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

*Inherent Limitations of Disclosure Controls and Internal Control over Financial Reporting*

Because of their inherent limitations, our disclosure controls and procedures and our internal control over financial reporting may not prevent material errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The effectiveness of our disclosure controls and procedures and our internal control over financial reporting is subject to risks, including that the control may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate.

**Part II - OTHER INFORMATION**

**Item 1. Legal Proceedings**

We are involved in various investigations, claims and lawsuits arising in the normal conduct of our business, none of which, in our opinion, will have a material adverse effect on our financial condition, results of operations, or cash flows. We cannot assure you that we will prevail in any litigation. Regardless of the outcome, any litigation may require us to incur significant litigation expense and may result in significant diversion of management attention.

**Item 1A. Risk Factors**

Our operations and financial results are subject to various risks and uncertainties, including those described in Part I, Item 1A, "Risk Factors" in our 2020 Form 10-K, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common and capital stock. There have been no material changes to our risk factors since our 2020 Form 10-K.

**Item 5. Other Information**

Not applicable.

## Item 6. Exhibits

<b>Exhibit No.</b>	<b>Description</b>
3.1	<a href="#"><u>Amended and Restated Articles of Clever Leaves Holdings Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC by Clever Leaves Holdings Inc. on December 23, 2020).</u></a>
4.1**	<a href="#"><u>Specimen Common Share Certificate of Clever Leaves Holdings Inc.</u></a>
4.2**	<a href="#"><u>Specimen Warrant Certificate of Clever Leaves Holdings Inc.</u></a>
4.3**	<a href="#"><u>Assignment, Assumption and Amendment Agreement No. 2, dated as of April 12, 2021, among Clever Leaves Holdings Inc., Continental Stock Transfer &amp; Trust Company and Computershare Inc.</u></a>
10.1	<a href="#"><u>Amendment No. 4, dated as of January 26, 2021, by and among Clever Leaves International Inc., Clever Leaves Holdings Inc., and other parties named therein (incorporated by reference to Exhibit 10.22 of the Annual Report on Form 10-K filed with the SEC by Clever Leaves Holdings Inc. on March 30, 2021).</u></a>
10.2*	<a href="#"><u>2020 Incentive Award Plan of Clever Leaves Holdings Inc. (incorporated by reference to Exhibit 10.37 to the Registration Statement on Form S-1 (File No. 333-252241) filed with the SEC by Clever Leaves Holdings Inc. on January 19, 2021).</u></a>
10.3*	<a href="#"><u>Addendum to the Employment Agreement between Ecomedics S.A.S. and Julian Wilches effective as of February 25, 2021. (incorporated by reference to Exhibit 10.52 of the Annual Report on Form 10-K filed with the SEC by Clever Leaves Holdings Inc. on March 30, 2021).</u></a>
10.4*	<a href="#"><u>Employment Agreement, dated as of February 9, 2021, between NS US Holdings, Inc. and Henry R. Hague, III (incorporated by reference to Exhibit 10.55 to the Annual Report on Form 10-K for the year ended filed with the SEC by Clever Leaves Holdings Inc. on February 22, 2021).</u></a>
31.1**	<a href="#"><u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2**	<a href="#"><u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1***	<a href="#"><u>Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS	<a href="#"><u>XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.</u></a>
101.SCH	<a href="#"><u>XBRL Taxonomy Extension Schema.</u></a>
101.CAL	<a href="#"><u>XBRL Taxonomy Extension Calculation Linkbase.</u></a>
101.DEF	<a href="#"><u>XBRL Taxonomy Extension Definition Linkbase.</u></a>
101.LAB	<a href="#"><u>XBRL Taxonomy Extension Label Linkbase.</u></a>
101.PRE	<a href="#"><u>XBRL Taxonomy Extension Presentation Linkbase.</u></a>

\* Indicates management contract or compensatory plan or arrangement

\*\* Filed herewith

\*\*\* Furnished herewith

**SIGNATURES**

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

May 17, 2021

**Clever Leaves Holdings Inc.**

By: /s/ Kyle Detwiler  
Name: Kyle Detwiler  
Title: Chief Executive Officer



The class of shares represented by this certificate has special rights or restrictions attached thereto, and a copy of the full text of those special rights or restrictions may be obtained, without charge, from the registered office of the Company.

The following abbreviations shall be construed as though the words set forth below opposite each abbreviation were written out in full where such abbreviation appears:

TEN COM	- as tenants in common	(Name) CUST (Name) UNIF	- (Name) as Custodian for (Name) under the
TEN ENT	- as tenants by the entirety	GIFT MIN ACT (State)	(State) Uniform Gifts to Minors Act
JT TEN	- as joint tenants with rights of survivorship and not as tenants in common		

Additional abbreviations may also be used though not in the above list.

For value received the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_

Insert name and address of transferee

\_\_\_\_\_ shares

represented by this certificate and does hereby irrevocably constitute and appoint

\_\_\_\_\_ the attorney

of the undersigned to transfer the said shares on the books of the Company with full power of substitution in the premises.

DATED: \_\_\_\_\_

\_\_\_\_\_

Signature of Shareholder

\_\_\_\_\_

Signature of Guarantor

**Signature Guarantee:**

The signature on this assignment must correspond with the name as written upon the face of the certificate(s), in every particular, without alteration or enlargement, or any change whatsoever and must be guaranteed by a major Canadian Schedule I chartered bank or a member of an acceptable Medallion Signature Guarantee Program (STAMP, SEMP, MSP). The Guarantor must affix a stamp bearing the actual words "Signature Guaranteed".

In the USA, signature guarantees must be done by members of a "Medallion Signature Guarantee Program" only.

Signature guarantees are not accepted from Treasury Branches, Credit Unions or Caisses Populaires unless they are members of the Stamp Medallion Program.

**SECURITY INSTRUCTIONS - INSTRUCTIONS DE SÉCURITÉ**

THIS IS WATERMARKED PAPER, DO NOT ACCEPT WITHOUT NOTING WATERMARK. HOLD TO LIGHT TO VERIFY WATERMARK.  
PAPIER FILIGRANÉ, NE PAS ACCEPTER SANS VÉRIFIER LA PRÉSENCE DU FILIGRANÉ. POUR CE FAIRE, PLACER À LA LUMIÈRE.



NUMBER (SEE REVERSE SIDE FOR LEGEND) WARRANTS  
\_\_\_\_\_ - THIS WARRANT WILL BE VOID IF NOT EXERCISED PRIOR TO  
THE EXPIRATION DATE (DEFINED BELOW)

CLEVER LEAVES HOLDINGS INC.  
CUSIP 186760112

#### WARRANT

THIS CERTIFIES THAT, for value received is the registered holder of a warrant or warrants (the “Warrant(s)”) of Clever Leaves Holdings Inc., a corporation organized under the laws of British Columbia, Canada (the “Company”), expiring at 5:00 p.m., New York City time, on the five year anniversary of the completion of the business combination (the “Expiration Date”) contemplated by the Business Combination Agreement, dated as of July 25, 2020, by and among Schultze Special Purpose Acquisition Corp., Clever Leaves International Inc., the Company and Novel Merger Sub Inc.(the “Business Combination”), to purchase one fully paid and non-assessable common share without par value (“Shares”), of the Company for each Warrant evidenced by this Warrant Certificate. The Warrant entitles the holder thereof to purchase from the Company 30 days after the completion of the Business Combination, such number of Shares of the Company at the Warrant Price (as defined below), upon surrender of this Warrant Certificate and payment of the Warrant Price at the office or agency of Computershare Inc., a Delaware corporation (the “Warrant Agent”), but only subject to the conditions set forth herein and in the warrant agreement between the Company and Computershare Inc. (the “Warrant Agreement”). In no event will the Company be required to net cash settle any warrant exercise. The Warrant Agreement provides that upon the occurrence of certain events the Warrant Price and the number of Shares purchasable hereunder, set forth on the face hereof, may, subject to certain conditions, be adjusted. The term “Warrant Price” as used in this Warrant Certificate refers to the price per Share at which Shares may be purchased at the time the Warrant is exercised. The initial Warrant Price per Share is equal to \$11.50 per share.

No fraction of a Share will be issued upon any exercise of a Warrant. If the holder of a Warrant would be entitled to receive a fraction of a Share upon any exercise of a Warrant, the Company shall, upon such exercise, round down to the nearest whole number of Shares to be issued to such holder.

Upon any exercise of the Warrant for less than the total number of full Shares provided for herein, there shall be issued to the registered holder hereof or the registered holder’s assignee a new Warrant Certificate covering the number of Shares for which the Warrant has not been exercised.

Warrant Certificates, when surrendered at the office or agency of the Warrant Agent by the registered holder in person or by attorney duly authorized in writing, may be exchanged in the manner and subject to the limitations provided in the Warrant Agreement, but without payment of any service charge, for another Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Warrants.

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Upon due presentment for registration of transfer of the Warrant Certificate at the office or agency of the Warrant Agent, a new Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Warrants shall be issued to the transferee in exchange for this Warrant Certificate, subject to the limitations provided in the Warrant Agreement, without charge except for any applicable tax or other governmental charge.

The Company and the Warrant Agent may deem and treat the registered holder as the absolute owner of this Warrant Certificate (notwithstanding any notation of ownership or other writing hereon made by anyone), for the purpose of any exercise hereof, of any distribution to the registered holder, and for all other purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

This Warrant does not entitle the registered holder to any of the rights of a shareholder of the Company.

The Company reserves the right to call the Warrant at any time prior to its exercise with a notice of call in writing to the holders of record of the Warrant, giving at least 30 days' notice of such call, at any time while the Warrant is exercisable, if the last sale price of the Shares has been at least \$18.00 per share on each of 20 trading days within any 30 trading day period (the "30-day trading period") ending on the third business day prior to the date on which notice of such call is given and if, and only if, there is a current registration statement in effect with respect to the Shares underlying the Warrants commencing five business days prior to the 30-day trading period and continuing each day thereafter until the date of redemption. The call price of the Warrants is to be \$0.01 per Warrant. Any Warrant either not exercised or tendered back to the Company by the end of the date specified in the notice of call shall be canceled on the books of the Company and have no further value except for the \$0.01 call price.

By

Chief Executive Officer

Chief Financial Officer

**SUBSCRIPTION FORM**

To Be Executed by the Registered Holder in Order to Exercise Warrants

The undersigned Registered Holder irrevocably elects to exercise \_\_\_\_\_ Warrants represented by this Warrant Certificate, and to purchase the Common Shares issuable upon the exercise of such Warrants, and requests that such shares shall be issued in the name of

\_\_\_\_\_  
(PLEASE TYPE OR PRINT NAME AND ADDRESS)

\_\_\_\_\_  
(SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER)

and be delivered to \_\_\_\_\_

\_\_\_\_\_  
(PLEASE PRINT OR TYPE NAME AND ADDRESS)

\_\_\_\_\_

and, if such number of Warrants shall not be all the Warrants evidenced by this Warrant Certificate, that a new Warrant Certificate for the balance of such Warrants be registered in the name of, and delivered to, the Registered Holder at the address stated below:

Dated:

(SIGNATURE)

(ADDRESS)

(TAX IDENTIFICATION NUMBER)

**ASSIGNMENT**

To Be Executed by the Registered Holder in Order to Assign Warrants

For Value Received, \_\_\_\_\_ hereby sell, assign, and transfer unto

\_\_\_\_\_  
(PLEASE TYPE OR PRINT NAME AND ADDRESS)

\_\_\_\_\_  
(SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER)

and be delivered to \_\_\_\_\_

\_\_\_\_\_  
(PLEASE PRINT OR TYPE NAME AND ADDRESS)

\_\_\_\_\_ of the Warrants represented by this Warrant Certificate, and hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney to transfer this Warrant Certificate on the books of the Company, with full power of substitution in the premises.

Dated:

\_\_\_\_\_  
(SIGNATURE)

THE SIGNATURE TO THE ASSIGNMENT OF THE SUBSCRIPTION FORM MUST CORRESPOND TO THE NAME WRITTEN UPON THE FACE OF THIS WARRANT CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER, AND MUST BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION PARTICIPATING IN A SIGNATURE GUARANTEE PROGRAM APPROVED BY THE SECURITIES TRANSFER ASSOCIATION.

## ASSIGNMENT, ASSUMPTION AND AMENDMENT AGREEMENT #2

This Assignment, Assumption and Amendment Agreement (this “Agreement”) is made as of April 12, 2021, by and among Clever Leaves Holdings Inc., a corporation organized under the laws of British Columbia, Canada (the “Company”), Continental Stock Transfer & Trust Company, a New York corporation (the “Existing Warrant Agent”) and Computershare Inc., a Delaware corporation (“Computershare”).

WHEREAS, the Company and the Existing Warrant Agent are parties to that certain Warrant Agreement, dated as of December 10, 2018, and filed with the United States Securities and Exchange Commission on December 14, 2018, as amended and assigned pursuant to an Assignment, Assumption and Amendment Agreement dated December 18, 2020 (the “Existing Warrant Agreement”; capitalized terms used herein but not otherwise defined in this Agreement shall have the meanings ascribed to such terms in the Existing Warrant Agreement);

WHEREAS, pursuant to the Existing Warrant Agreement, Schultze Special Purpose Acquisition Corp. issued (a) 4,150,000 warrants to the Sponsor (collectively, the “Private Warrants”) which are exercisable to purchase common shares of the Company (“Common Shares”), at a purchase price of \$1.00 per Private Warrant, with each Private Warrant being exercisable for one Common Share and with an exercise price of \$11.50 per share and (b) 13,000,000 warrants to public investors in the Public Offering (collectively, the “Public Warrants”) to purchase Common Shares, with each Public Warrant being exercisable for one Common Share and with an exercise price of \$11.50 per share;

WHEREAS, all of the Warrants are governed by the Existing Warrant Agreement;

WHEREAS, the Existing Warrant Agent desires to assign all of its right, title and interest in the Existing Warrant Agreement to Computershare and Computershare wishes to accept such assignment, and the Company wishes to approve such assignment and assumption;

WHEREAS, in connection with such assignment and assumption, the parties wish to amend the Existing Warrant Agreement as provided in this Agreement;

WHEREAS, Section 9.8 of the Existing Warrant Agreement provides that the Company and the Existing Warrant Agent may amend the Existing Warrant Agreement without the consent of any registered holders for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained therein or adding or changing any other provisions with respect to matters or questions arising under the Existing Warrant Agreement as the Company and the Warrant Agent may deem necessary or desirable and that the Company and the Warrant Agent deem shall not adversely affect the interest of the registered holders; and

WHEREAS, the Company certifies to the Existing Warrant Agent and Computershare that this Agreement is in compliance with Section 9.8 of the Existing Warrant Agreement.

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NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements contained herein, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, the parties hereto hereby agree as follows:

1. Assignment and Assumption; Consent.

1.1 Assignment and Assumption. The Existing Warrant Agent hereby assigns to Computershare all of the Existing Warrant Agent's right, title and interest in and to the Existing Warrant Agreement (as amended hereby) as of 5:00 p.m. (Pacific Time) on April 16, 2021 (the "Effective Date"). Computershare hereby assumes, and agrees to perform, satisfy and discharge in full, as the same become due, all of the Existing Warrant Agent's duties and obligations under the Existing Warrant Agreement (as amended hereby) arising from and after the Effective Date pursuant to the terms of the Existing Warrant Agreement (as amended hereby).

1.2 Consent. The Company hereby consents to the assignment of the Existing Warrant Agreement by the Existing Warrant Agent to Computershare pursuant to Section 1.1 hereof effective as of the Effective Date, and the assumption of the Existing Warrant Agreement by Computershare from the Existing Warrant Agent (as amended hereby) pursuant to Section 1.1 hereof effective as of the Effective Date, and to the continuation of the Existing Warrant Agreement in full force and effect from and after the Effective Date, subject at all times to the Existing Warrant Agreement (as amended hereby) and to all of the provisions, covenants, agreements, terms and conditions of the Existing Warrant Agreement and this Agreement. The Company hereby appoints Computershare as the successor Warrant Agent under the Warrant Agreement (as amended hereby) effective as of the Effective Date in accordance with the express terms and conditions of the Existing Warrant Agreement (as amended by this Amendment), and the Warrant Agent accepts such appoint and agrees to perform the same. The Company agrees that Computershare shall not be liable or responsible for any obligations or responsibilities related to the Existing Warrant Agreement or the exercise of any Warrants prior to the Effective Date.

2. Amendment of Existing Warrant Agreement. The Existing Warrant Agreement is hereby amended as provided in this Section 2, effective as of the Effective Date, and the Company acknowledges and agrees that the amendments to the Existing Warrant Agreement set forth in this Section 2 are necessary or desirable and that such amendments do not adversely affect the interests of the registered holders:

2.1 Preamble. The preamble on page one of the Existing Warrant Agreement is hereby amended by deleting "Continental Stock Transfer & Trust Company, a New York corporation, with offices at 1 State Street, 30th Floor, New York, New York 10004" and replacing it with "Computershare Inc., a Delaware corporation, with offices at 150 Royall St., Canton, MA 02021". As a result thereof, all references to the "Warrant Agent" in the Existing Warrant Agreement shall be references to Computershare rather than Continental Stock Transfer & Trust Company.

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2.2 Recitals. The recitals on pages one and two of the Existing Warrant Agreement are hereby deleted and replaced in their entirety as follows:

“WHEREAS, on December 10, 2018, Schultze Special Acquisition Corp. (“Schultze”) entered into that certain Warrant Purchase Agreement, dated December 10, 2018 (the “Warrant Purchase Agreement”), with Schultze Special Purpose Acquisition Sponsor, LLC (the “Sponsor”), pursuant to which the Sponsor agreed to purchase an aggregate of 4,150,000 warrants simultaneously with the closing of the Public Offering (as defined below) bearing the legend set forth in Exhibit B hereto (the “Private Warrants”) at a purchase price of one dollar (\$1.00) per Private Warrant; and

WHEREAS, on December 13, 2018, Schultze consummated its initial public offering (“Public Offering”) of 13,000,000 units (the “Units”), with each Unit consisting of one share of common stock of Schultze, par value \$0.0001 per share (“Schultze Common Stock”), and one warrant, where each warrant entitles the holder to purchase one share of Schultze Common Stock at a price of \$11.50 per share (the “Public Warrants” and together with the Private Warrants, the “Schultze Warrants”); and

WHEREAS, Schultze filed with the Securities and Exchange Commission (the “SEC”) a registration statement on Form S-1, No. 333-228494 (the “Registration Statement”) and prospectus (the “Prospectus”), for the registration, under the Securities Act of 1933, as amended (the “Act”), of the offering and sale of the Units, the Public Warrants and the Schultze Common Stock included in the Units; and

WHEREAS, Schultze, the Company, Clever Leaves International Inc., a corporation organized under the laws of British Columbia, Canada (“Clever Leaves”), and Novel Merger Sub Inc., a Delaware corporation and a direct wholly owned subsidiary of the Company (“Merger Sub”) are parties to that certain Business Combination Agreement, dated as of July 25, 2020 (as amended, amended and restated, supplemented or otherwise modified from time to time, the “Business Combination Agreement”), which, among other things, provides for the merger of Merger Sub with and into Schultze with Schultze surviving such merger as a wholly owned subsidiary of the Company (the “Merger”), and, as a result of the Merger, all shares of Schultze Common Stock were converted into and exchanged for the right to receive common shares of the Company (“Company Common Shares”); and

WHEREAS, on November 9, 2020, the Company, Schultze, the Sponsor and Clever Leaves entered into that certain Amendment No. 1 to Transaction Support Agreement, pursuant to which the Sponsor agreed to surrender and forfeit a certain amount of Private Warrants immediately prior to the consummation of the Merger; and

WHEREAS, on December 18, 2020, pursuant to the terms of the Business Combination Agreement, the Company, Schultze and Continental Stock Transfer & Trust Company (“Continental”), as warrant agent, entered into an Assignment, Assumption and Amendment Agreement (the “Warrant Assumption Agreement”), pursuant to which Schultze assigned this Agreement to the Company and the Company assumed this Agreement from Schultze; and

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WHEREAS, Schultze may issue up to an additional 750,000 Schultze Warrants (the “Working Capital Warrants”) in satisfaction of the Sponsor Loans (as defined in the Business Combination Agreement) and that certain Promissory Note dated September 13, 2018 issued to Sponsor in the principal amount of \$250,000; and

WHEREAS, pursuant to the Business Combination Agreement, the Warrant Assumption Agreement and Section 4.5 of this Agreement, effective as of the Merger Effective Time (as defined in the Business Combination Agreement), each of the issued and outstanding Schultze Warrants (including the Working Capital Warrants) were no longer exercisable for shares of Schultze Common Stock but instead became exercisable (subject to the terms and conditions of this Agreement) for Company Common Shares (each a “Warrant” and collectively, the “Warrants”); and

WHEREAS, the transactions contemplated by the Business Contribution Agreement were consummated on December 18, 2020;

WHEREAS, on April 12, 2021, the Company, Continental and the Warrant Agent entered into an Assignment, Assumption and Amendment Agreement (the “Second Warrant Assumption Agreement”), pursuant to which Continental assigned this Agreement to the Warrant Agent and the Warrant Agent assumed this Agreement from Continental, and the Company approved such assignment and assumption; and

WHEREAS, the Company desires to appoint the Warrant Agent as warrant agent on behalf of the Company, and the Warrant Agent is willing to so act, in connection with the issuance, registration, transfer, exchange, redemption and exercise of the Warrants in accordance with the express terms and provisions hereunder; and

WHEREAS, the Company desires to provide for the form and provisions of the Warrants, the terms upon which they shall be issued and exercised, and the respective rights, limitation of rights, and immunities of the Company, the Warrant Agent, and the holders of the Warrants; and

WHEREAS, all acts and things have been done and performed which are necessary to make the Warrants, when executed on behalf of the Company and countersigned by or on behalf of the Warrant Agent, as provided herein, the valid, binding and legal obligations of the Company, and to authorize the execution and delivery of this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the parties hereto agree as follows:”

2.3 Payment. Section 3.3.1 of the Existing Warrant Agreement is hereby amended as follows:

2.3.1 by deleting the phrase “in the Borough of Manhattan, City and State of New York” and replacing it with “in the City and State of New York”; and

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2.3.2 by adding the following paragraph to the end thereof:

“In connection with any cashless exercise of Warrants, the Company shall calculate and transmit to the Warrant Agent, and the Warrant Agent shall have no duty under this Agreement to determine, the number of shares of Company Common Shares to be issued on such cashless exercise. The Company shall determine the number of Company Common Shares to be issued upon any cashless exercise (with written notice thereof to the Warrant Agent) and the Warrant Agent shall have no duty or obligation to calculate or confirm whether the Company’s determination of the Company Common Shares to be issued on such exercise is accurate.”

2.4 Transfer Agent. Section 3.3.5 of the Existing Warrant Agreement is hereby amended by deleting the phrase “Continental Stock Transfer & Trust Company, as” and replacing it with the word “its”.

2.5 Delivery of Exercise Funds and Cost Basis Information. The Existing Warrant Agreement is hereby amended by adding new Sections 3.3.7 and 3.3.8 immediately after Section 3.3.6 as follows:

“Section 3.3.7. Deliver of Warrant Exercise Funds. The Warrant Agent shall forward funds received for Warrant exercises in a given month by the 5th business day of the following month by wire transfer to an account designated by the Company.

Section 3.3.8. Cost Basis Information.

(a) In the event of a cash exercise, the Company hereby instructs the Warrant Agent to record cost basis for newly issued shares in a manner to be subsequently communicated by the Company in writing to the Warrant Agent.

(b) In the event of a cashless exercise, the Company shall provide cost basis for shares issued pursuant to a cashless exercise at the time the Company confirms the number of Company Common Shares issuable in connection with the cashless exercise pursuant to the last paragraph of Section 3.3.1 hereof.”

2.6 Notices of Changes in Warrant. Section 4.6 of the Existing Warrant Agreement is hereby amended by adding, immediately after the first full sentence of Section 4.6, the following sentence:

“The Warrant Agent shall be entitled to rely on such notice and any adjustment or statement therein contained and shall have no duty or liability with respect thereto and shall not be deemed to have knowledge of any such adjustment or any such event unless and until it shall have received such notice.”

2.7 Form of Warrant. Section 4.8 of the Existing Warrant Agreement is hereby amended by adding the phrase “or the rights, duties and immunities of the Warrant Agent” immediately after the phrase “does not affect the substance thereof”.

2.8 Registration of Transfer. Section 5.1 of the Existing Warrant Agreement is hereby amended by adding the following sentence at the end thereof:

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“A party requesting transfer of Warrants or Company Common Shares issuable thereunder must provide any evidence of authority that may be required by the Warrant Agent, including but not limited to, a signature guarantee from an eligible guarantor institution participating in a signature guarantee program approved by the Securities Transfer Association.”

2.9 Warrant Execution and Countersignature. Section 5.5 of the Existing Warrant Agreement is hereby amended by adding the following sentence at the end thereof:

“The Warrant Agreement is permitted to countersign Warrants either manually or by facsimile or electronic signature.”

2.10 Transfers Prior to Detachment. Section 5.7 of the Existing Warrant Agreement is hereby deleted in its entirety and replaced with the following:

“[INTENTIONALLY DELETED].”

2.11 Payment of Taxes. Section 8.1 of the Existing Warrant Agreement is hereby deleted in its entirety and replaced with the following:

“Payment of Taxes. The Company will from time to time promptly pay all taxes and charges that may be imposed upon the Company or the Warrant Agent in respect of the issuance or delivery of shares of Company Common Shares upon the exercise of Warrants, but the Company shall not be obligated to pay any transfer taxes in respect of the Warrants or such shares (which transfer taxes shall be paid by the applicable holder of such Warrant or shares). The Warrant Agent shall not have any duty or obligation to take any action under any section of this Agreement or any Warrant that requires the payment of taxes and/or charges unless and until it is satisfied that all such payments have been made.”

2.12 Appointment of Successor Warrant Agent. Section 8.2.1 of the Existing Warrant Agreement is hereby deleted in its entirety and replaced with the following:

“Appointment of Successor Warrant Agent. The Warrant Agent, or any successor to it hereafter appointed, may resign its duties and be discharged from all further duties and liabilities hereunder after giving sixty (60) days’ notice in writing to the Company. If the office of the Warrant Agent becomes vacant by resignation or incapacity to act or otherwise, the Company shall appoint in writing a successor Warrant Agent in place of the Warrant Agent. If the Company shall fail to make such appointment within a period of thirty (30) days after it has removed the Warrant Agent or has been notified in writing of such resignation or incapacity by the Warrant Agent or by the holder of the Warrant (who shall, with such notice, submit his Warrant for inspection by the Company), then the holder of any Warrant may apply to the Supreme Court of the State of New York for the County of New York for the appointment of a successor Warrant Agent at the Company’s cost. Any successor Warrant Agent, whether appointed by the Company or by such court, shall be an entity authorized under the laws of the United States of America or any state thereof to exercise corporate trust or shareholder services powers and subject to supervision or examination by federal or state authority. After

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appointment, any successor Warrant Agent shall be vested with all the authority, powers, rights, immunities, duties, and obligations of its predecessor Warrant Agent with like effect as if originally named as Warrant Agent hereunder, without any further act or deed; but if for any reason it becomes necessary or appropriate, the predecessor Warrant Agent shall execute and deliver, at the expense of the Company and without assumption of any additional liability in connection therewith, an instrument transferring to such successor Warrant Agent all the authority, powers, and rights of such predecessor Warrant Agent hereunder; and upon request of any successor Warrant Agent the Company shall make, execute, acknowledge, and deliver any and all instruments in writing for more fully and effectually vesting in and confirming to such successor Warrant Agent all such authority, powers, rights, immunities, duties, and obligations.”

2.13 Merger of Consolidation of Warrant Agent. Section 8.2.3 of the Existing Warrant Agreement is hereby amended by deleting each reference to the word “corporation” and replacing it with the word “entity”.

2.14 Remuneration. Section 8.3.1 of the Existing Warrant Agreement is hereby deleted and replaced with the following:

“Remuneration. The Company agrees to pay the Warrant Agent reasonable remuneration (as agreed upon in writing by the Company and the Warrant Agent) for its services as such Warrant Agent hereunder and will reimburse the Warrant Agent upon demand for all of its reasonable expenses (including reasonable counsel fees and expenses) incurred in connection with the preparation, delivery, negotiation, amendment, administration and execution of this Agreement and the exercise and performance of its duties hereunder.”

2.15 Liability of the Warrant Agent. Section 8.4 of the Existing Warrant Agreement is hereby deleted in its entirety and replaced with the following:

“Liability of Warrant Agent.

8.4.1. Reliance on Company Statement. Whenever in the performance of its duties under this Agreement, the Warrant Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a statement signed by the Chief Executive Officer or Chairman of the Board of Directors of the Company and delivered to the Warrant Agent. The Warrant Agent may rely upon such statement for any action taken or suffered by it pursuant to the provisions of this Agreement.

8.4.2. Indemnity. The Warrant Agent shall be liable hereunder only for its own gross negligence, willful misconduct or bad faith (each as determined by a court of competent jurisdiction in final and non-appealable decision). The Company agrees to indemnify the Warrant Agent and save it harmless against any and all loss, liability, damage, judgment, fine, penalty, claim, demand, settlement, cost, or expense (including

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reasonable fees of its legal counsel), which may be paid, incurred or suffered by or to which it may become subject, arising from or out of, directly or indirectly, any claims or liability resulting from its actions as Warrant Agent pursuant hereto, except as a result of the Warrant Agent's gross negligence, willful misconduct, or bad faith (each as determined by a court of competent jurisdiction in a final and non-appealable decision). The costs and expenses incurred in enforcing this right of indemnification shall be paid by the Company.

8.4.3. Exclusions. The Warrant Agent shall have no responsibility with respect to the validity of this Agreement or with respect to the validity or execution of any Warrant (except its countersignature thereof). The Warrant Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Warrant Agreement or in the Warrant (except its countersignature thereof) or be required to verify the same, and all such statements and recitals are and shall be deemed to have been made by the Company only; nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Warrant. The Warrant Agent shall not be responsible to make any adjustments required under the provisions of Section 4 hereof or responsible for the manner, method, or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment; nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Company Common Shares to be issued pursuant to this Agreement or any Warrant or as to whether any shares of Company Common Shares will, when issued, be valid and fully paid and nonassessable.

8.4.4. Limitation of Liability. Notwithstanding anything contained herein to the contrary, the Warrant Agent's aggregate liability during any term of this Warrant Agreement with respect to, arising from, or arising in connection with this Warrant Agreement, or from all services provided or omitted to be provided under this Warrant Agreement, whether in contract, or in tort, or otherwise, is limited to, and shall not exceed, the amounts paid hereunder by the Company to the Warrant Agent as fees and charges, but not including reimbursable expenses, during the twelve (12) months immediately preceding the event for which recovery from Warrant Agent is being sought. Neither party to this Warrant Agreement shall be liable to the other party for any consequential, indirect, special or incidental damages under any provisions of this Warrant Agreement or for any consequential, indirect, punitive, special or incidental damages arising out of any act or failure to act hereunder even if that party has been advised of or has foreseen the possibility of such damages."

2.16 Acceptance of Agency. Section 8.5 of the Existing Warrant Agreement is hereby amended by adding the following sentence to the end thereof:

"The Warrant Agent shall not assume any obligations or relationship of agency or trust with any of the owners or holders of the Warrants."

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2.17 Other Rights of the Warrant Agent and Survival. The Existing Warrant Agreement is hereby amended by adding new Sections 8.6 and 8.7 immediately after Section 8.5 as follows:

“8.6. Other Rights of the Warrant Agent.

8.6.1. Counsel. The Warrant Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion or advice of such counsel shall be full and complete authorization and protection to the Warrant Agent as to any action taken or omitted by it in the absence of bad faith and in accordance with such opinion or advice.

8.6.2. No Duty of Demand. The Warrant Agent shall not have any duty or responsibility in the case of the receipt of any written demand from any holder of Warrants with respect to any action or default by the Company, including, without limiting the generality of the foregoing, any duty or responsibility to initiate or attempt to initiate any proceedings at law or otherwise or to make any demand upon the Company.

8.6.3. Transact in Company Securities. The Warrant Agent and any stockholder, director, officer or employee of the Warrant Agent may buy, sell or deal in any of the Warrants or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Warrant Agent under this Warrant Agreement. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

8.6.4. Reliance on Attorneys and Agents. The Warrant Agent may execute and exercise any of the ancillary rights or powers hereby vested in it or perform any ancillary duty hereunder either itself or by or through its attorney or agents, and the Warrant Agent shall not be responsible for any act, default, neglect or misconduct of any such attorney or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, absent gross negligence, bad faith or willful misconduct (each as determined by a final non-appealable judgment of a court of competent jurisdiction) in the selection and continued employment thereof.

8.6.5. No Risk of Own Funds. The Warrant Agent shall not be obligated to expend or risk its own funds or to take any action that it believes would expose or subject it to expense or liability or to a risk of incurring expense or liability, unless it has been furnished with assurances of repayment or indemnity satisfactory to it.

8.6.6. Company Instructions. At any time, the Warrant Agent may apply to any officer of the Company for instruction with respect to any matter arising in connection with the services to be performed by the Warrant Agent under this Agreement. The Warrant Agent and its agents and subcontractors shall not be liable and shall be indemnified by Company for any action taken or omitted by Warrant Agent in reliance upon any Company instructions. The Warrant Agent shall not be held to have notice of

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any change of authority of any person, until receipt of written notice thereof from the Company.

8.7. Survival. The provisions of this Section 8 shall survive the expiration of the Warrants, the termination of this Agreement and the resignation, replacement or removal of the Warrant Agent.”

2.18 Notices. Section 9.2 of the Existing Warrant Agreement is hereby amended in part to change the delivery address of notices to the Warrant Agent to the following:

“Computershare Inc.  
150 Royall St.  
Canton, MA 02021  
Attn: Client Services”

2.19 Persons Having Rights under this Agreement. Section 9.4 of the Existing Warrant Agreement is hereby amended by deleting the term “corporation” and replacing it with the term “entity”.

2.20 Examination of Warrant Agreement. Section 9.5 of the Existing Warrant Agreement is hereby amended by deleting the phrase “in the Borough of Manhattan, City and State of New York” and replacing it with the phrase “in the City and State of New York”.

2.21 Counterparts. Section 9.6 of the Existing Warrant Agreement is hereby amended by adding the following sentence at the end thereof:

“Signatures to this Agreement transmitted by electronic mail in PDF form, or by any other electronic means designed to preserve the original graphic and pictorial appearance of a document (including DocuSign), will be deemed to have the same effect as physical delivery of the paper document bearing the original signatures.”

2.22 Amendments. Section 9.8 of the Existing Warrant Agreement is hereby amended by adding the following sentence at the end thereof:

“No amendment or modification to this Agreement shall be effective unless duly executed by the Warrant Agent and as a condition precedent to the execution and delivery by the Warrant Agent of any amendment to this Agreement, the Company shall deliver a certificate executed by an authorized officer of the Company which states that the proposed amendment or modification is in compliance with the terms of this Section 9.8.”

2.23 Trust Account Waiver. Section 9.9 of the Existing Warrant Agreement is hereby deleted in its entirety and replaced with the following:

“[INTENTIONALLY DELETED].”

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2.24 Severability. Section 9.10 of the Existing Warrant Agreement is hereby amended by adding the following sentence at the end thereof:

“Notwithstanding the foregoing, if any excluded provision shall adversely affect the rights, immunities, liabilities, duties or obligations of the Warrant Agent in any material respect (after giving effect to any such similar provision), the Warrant Agent shall be entitled to resign upon fifteen (15) days' prior written notice to the Company.”

2.25 Bank Accounts, Force Majeure, Confidentiality, and Further Assurances. The Existing Warrant Agreement is hereby amended by adding new Sections 9.12, 9.13, 9.14, and 9.15 immediately after Section 9.11 as follows:

“9.12 Bank Accounts. All funds received by the Warrant Agent under this Agreement that are to be distributed or applied by the Warrant Agent in the performance of services hereunder (the “Funds”) shall be held by the Warrant Agent as agent for the Company and deposited in one or more bank accounts to be maintained by Computershare in its name as agent for the Company. Until paid pursuant to the terms of this Agreement, the Warrant Agent will hold the Funds through such accounts in: deposit accounts of commercial banks with Tier 1 capital exceeding \$1 billion or with an average rating above investment grade by S&P (LT Local Issuer Credit Rating), Moody’s (Long Term Rating) and Fitch Ratings, Inc. (LT Issuer Default Rating) (each as reported by Bloomberg Finance L.P.). The Warrant Agent shall have no responsibility or liability for any diminution of the Funds that may result from any deposit made by the Warrant Agent in accordance with this paragraph, including any losses resulting from a default by any bank, financial institution or other third party. The Warrant Agent may from time to time receive interest, dividends or other earnings in connection with such deposits. The Warrant Agent shall not be obligated to pay such interest, dividends or earnings to the Company, any holder or any other party.

9.13. Force Majeure. Notwithstanding anything to the contrary contained herein, the Warrant Agent will not be liable for any delays or failures in performance resulting from acts beyond its reasonable control including, without limitation, acts of God, epidemics, pandemics, terrorist acts, shortage of supply, disruptions in public utilities, strikes and lock-outs, war, or civil unrest.

9.14 Confidentiality. The Warrant Agent and the Company agree that all books, records, information and data pertaining to the business of the other party, including inter alia, personal, non-public warrant holder information, which are exchanged or received pursuant to the negotiation or the carrying out of this Agreement including the fees for services hereunder shall remain confidential, and shall not be disclosed to any other person, until the second anniversary of the earlier of the termination of this Agreement and the resignation, replacement or removal of the Warrant Agent, except as may be required by law, including, without limitation, pursuant to subpoenas from state or federal government authorities (e.g., in divorce and criminal actions).

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9.15 Further Assurances. The Company shall perform, acknowledge and deliver or cause to be performed, acknowledged and delivered all such further and other acts, documents, instruments and assurances as may be reasonably required by the Warrant Agent for the carrying out or performing by the Warrant Agent of the provisions of this Agreement.”

2.26 Exhibit A to the Existing Warrant Agreement is hereby amended by deleting Exhibit A in its entirety and replacing it with new Exhibit A attached hereto.

### 3. Miscellaneous Provisions.

3.1 Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company, the Existing Warrant Agent or Computershare shall bind and inure to the benefit of their respective successors and assigns.

3.2 Severability. This Agreement shall be deemed severable, and the invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of this Agreement or of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the parties hereto intend that there shall be added as a part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible and be valid and enforceable. Notwithstanding the foregoing, if any excluded provision shall adversely affect the rights, immunities, liabilities, duties or obligations of Computershare in any material respect (after giving effect to any such similar provision), Computershare shall be entitled to resign upon fifteen (15) days' prior written notice to the Company.

3.3 Applicable Law. The validity, interpretation and performance of this Agreement shall be governed in all respects by the laws of the State of New York, without giving effect to conflict of law principles that would result in the application of the substantive laws of another jurisdiction. The parties hereby agree that any action, proceeding or claim against a party arising out of or relating in any way to this Agreement shall be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. Each of the parties hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum.

3.4 Examination of the Warrant Agreement. A copy of this Agreement shall be available at all reasonable times at the office of Computershare in the City and State of New York, for inspection by the registered holder of any Warrant. Computershare may require any such holder to submit his Warrant for inspection by it.

3.5 Counterparts. This Agreement may be executed in any number of original, facsimile or electronic counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same

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instrument. Signatures to this Agreement transmitted by electronic mail in PDF form, or by any other electronic means designed to preserve the original graphic and pictorial appearance of a document (including DocuSign), will be deemed to have the same effect as physical delivery of the paper document bearing the original signatures.

3.6 Effect of Headings. The section headings herein are for convenience only and are not part of this Agreement and shall not affect the interpretation thereof.

3.7 Reference to and Effect on Agreements; Entire Agreement.

3.7.1 From the Effective Date, any references to “this Agreement” in the Existing Warrant Agreement will mean the Existing Warrant Agreement as amended by this Agreement. Except as specifically amended by this Agreement, the provisions of the Existing Warrant Agreement shall remain in full force and effect.

3.7.2 This Agreement and the Existing Warrant Agreement, as modified by this Agreement, constitutes the entire understanding of the parties and supersedes all prior agreements, understandings, arrangements, promises and commitments, whether written or oral, express or implied, relating to the subject matter hereof, and all such prior agreements, understandings, arrangements, promises and commitments are hereby canceled and terminated.

3.7.3 Recitals. Computershare shall have no responsibility with respect to the validity of this Agreement except its countersignature hereof. Computershare shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement (except its countersignature) or be required to verify the same, and all such statements and recitals are and shall be deemed to have been made by the Company only.

3.7.4 Opinion of counsel. The Company shall provide Computershare an opinion of counsel prior to the Effective Date. The opinion shall state that all Warrants or Common Shares issuable upon exercise of the Warrants, as applicable, are:

- (i) registered or are in the process of being registered under the Securities Act of 1933, as amended, or are exempt from such registration; and
- (ii) validly issued, fully paid and non-assessable.

[Remainder of page intentionally left blank.]

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IN WITNESS WHEREOF, each of the parties has caused this Agreement to be duly executed as of the date first above written.

CLEVER LEAVES HOLDINGS INC.

By: /s/ David Kastin \_\_\_\_\_  
Name: David Kastin  
Title: General Counsel

CONTINENTAL STOCK TRANSFER & TRUST COMPANY

By: /s/ Henry Farrell \_\_\_\_\_  
Name: Henry Farrell  
Title: Vice President

COMPUTERSHARE INC.

By: /s/ Collin Ekeogu \_\_\_\_\_  
Name: Collin Ekeogu  
Title: Manager, Corporate Actions

[Signature Page to Assignment, Assumption and Amendment Agreement]



**CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kyle Detwiler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clever Leaves Holdings Inc.;
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)) 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) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) 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.

Date: May 17, 2021

/s/ Kyle Detwiler

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Kyle Detwiler

Chief Executive Officer

**CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Henry R. Hague, III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clever Leaves Holdings Inc.;
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)) 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) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) 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):
6.
  - (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.

Date: May 17, 2021

/s/ Henry R. Hague, III

Henry R. Hague, III

Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Clever Leaves Holdings Inc., a corporation organized under the laws of British Columbia, Canada (the "Company"), on Form 10-Q for the quarter ending March 31, 2021 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company does hereby certify, pursuant to 18 U.S.C. § 1350 (section 906 of the Sarbanes-Oxley Act of 2002), that:

- (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.

The foregoing certification (i) is given to such officers' knowledge, based upon such officers' investigation as such officers reasonably deem appropriate; and (ii) is being furnished solely pursuant to 18 U.S.C. § 1350 (section 906 of the Sarbanes-Oxley Act of 2002) and is not being filed as part of the Report or as a separate disclosure document and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.

Date: May 17, 2021

/s/ Kyle Detwiler

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Kyle Detwiler

Chief Executive Officer

Date: May 17, 2021

/s/ Henry R. Hague, III

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Henry R. Hague, III

Chief Financial Officer