

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 September 30, 2022
OR

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

Commission File Number: 001-39537



Delaware
(State or other jurisdiction of
incorporation or organization)

81-1589788
(I.R.S. Employer
Identification No.)

275 W. Lundgren Mill Drive, Sisters, Oregon 97759
(Address of principal executive offices, including Zip Code)

Registrant's telephone number, including area code: (888) 670-6796

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock	LSF	NYSE American

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 ☒

As of November 8, 2022 the registrant had 9,222,622 shares of common stock, \$0.001 par value per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. Forward-looking statements convey our current expectations or forecasts of future events and are not guarantees of future performance. They are based on numerous assumptions that we believe are reasonable, but they are open to a wide range of uncertainties and business risks. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Any statements contained in this Quarterly Report on Form 10-Q that are not statements of historical fact may be forward-looking statements. When we use the words “intends,” “estimates,” “predicts,” “potential,” “continues,” “anticipates,” “plans,” “expects,” “believes,” “should,” “could,” “may,” “will,” “seeks,” or the negative of these terms or other comparable terminology, we are identifying forward-looking statements.

Forward-looking statements involve risks and uncertainties, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by forward-looking statements. Key factors that could cause actual results to be different than expected or anticipated include, but are not limited to:

- our limited operating history and ability to become profitable;
- our reliance on third parties for raw materials and production of some of our products;
- our ability to manage our growth, including our human resource requirements;
- our future capital needs;
- our ability to retain and grow our customer base;
- our reliance on independent distributors for a substantial portion of our sales;
- our ability to evaluate and measure our business, prospects and performance metrics;
- our ability to compete and succeed in a highly competitive and evolving industry;
- the health of the premium organic and natural food industry as a whole;
- risks related to our intellectual property rights and developing a strong brand;
- our reliance on key personnel, including Laird Hamilton and Gabrielle Reece;
- regulatory risks;
- risks associated with the COVID-19 pandemic, including those related to any variant strains of the virus that may emerge;
- risks related to our international operations;
- the risk of substantial dilution from future issuances of our equity securities; and
- the other risks described herein and in our Annual Report on Form 10-K for the year ended December 31, 2021.

In light of these risks, uncertainties and assumptions, you are cautioned not to place undue reliance on forward-looking statements, which are inherently unreliable and speak only as of the date of this Quarterly Report on Form 10-Q. You should read this Quarterly Report on Form 10-Q and the documents that we reference in this report with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. When considering forward-looking statements, you should keep in mind the cautionary statements in this report. We qualify all our forward-looking statements by these cautionary statements. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I - FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements

LAIRD SUPERFOOD, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	As of	
	September 30, 2022	December 31, 2021
Assets		
Current assets		
Cash, cash equivalents, and restricted cash	\$ 21,018,103	\$ 23,049,234
Accounts receivable, net	1,554,573	1,268,718
Investment securities available-for-sale	—	8,635,077
Inventory, net	8,818,013	10,221,343
Prepaid expenses and other current assets, net	1,801,955	3,827,543
Deposits	90,297	679,919
Total current assets	33,282,941	47,681,834
Noncurrent assets		
Property and equipment, net	4,213,404	4,512,935
Intangible assets, net	3,105,834	4,838,854
Goodwill	—	6,486,000
Right-of-use asset	6,958,803	2,327,752
Total noncurrent assets	14,278,041	18,165,541
Total assets	\$ 47,560,982	\$ 65,847,375
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 826,688	\$ 888,768
Payroll liabilities	989,458	814,163
Accrued expenses	3,133,121	2,083,090
Lease liability, current portion	743,109	—
Total current liabilities	5,692,376	3,786,021
Long-term liabilities		
Deferred tax liability, net	—	7,534
Lease liability	4,129,831	—
Total long-term liabilities	4,129,831	7,534
Total liabilities	9,822,207	3,793,555
Stockholders' equity		
Common stock, \$0.001 par value, 100,000,000 shares authorized as of September 30, 2022 and December 31, 2021; 9,566,174 and 9,200,470 issued and outstanding at September 30, 2022, respectively; 9,460,243 and 9,094,539 issued and outstanding at December 31, 2021, respectively	9,201	9,095
Additional paid-in capital	118,309,419	117,903,455
Accumulated other comprehensive loss	—	(61,016)
Accumulated deficit	(80,579,845)	(55,797,714)
Total stockholders' equity	37,738,775	62,053,820
Total liabilities and stockholders' equity	\$ 47,560,982	\$ 65,847,375

The accompanying notes are an integral part of these consolidated financial statements.

LAIRD SUPERFOOD, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Sales, net	\$ 8,844,845	\$ 10,865,914	\$ 26,858,864	\$ 27,443,394
Cost of goods sold	(6,773,029)	(7,667,075)	(21,259,300)	(20,225,269)
Gross profit	2,071,816	3,198,839	5,599,564	7,218,125
General and administrative				
Salaries, wages and benefits	1,766,450	2,191,477	4,511,546	6,299,262
Professional fees	770,478	551,368	2,042,709	1,504,438
Insurance expense	590,369	537,174	1,703,382	1,560,395
Impairment of goodwill	—	—	6,486,000	—
Impairment of long-lived intangible assets	—	—	1,540,000	—
Impairment of assets held-for-sale	—	—	100,426	—
Gain on sale of assets held-for-sale	(3,240)	—	(577,058)	—
Other expense	1,259,811	974,105	3,041,032	2,696,334
Total general and administrative expenses	4,383,868	4,254,124	18,848,037	12,060,429
Research and product development	115,077	242,604	335,377	858,143
Sales and marketing				
Salaries, wages and benefits	386,233	655,382	1,939,785	2,016,556
Advertising	1,832,172	1,954,377	5,191,374	5,313,881
General marketing	824,747	1,131,023	2,983,417	3,079,181
Other expense	347,705	273,971	1,000,923	824,147
Total sales and marketing expenses	3,390,857	4,014,753	11,115,499	11,233,765
Total expenses	7,889,802	8,511,481	30,298,913	24,152,337
Operating loss	(5,817,986)	(5,312,642)	(24,699,349)	(16,934,212)
Other income (expense)	79,777	10,721	(77,008)	36,246
Loss before income taxes	(5,738,209)	(5,301,921)	(24,776,357)	(16,897,966)
Income tax expense	—	(49,777)	(5,774)	(86,495)
Net loss	\$ (5,738,209)	\$ (5,351,698)	\$ (24,782,131)	\$ (16,984,461)
Net loss per share:				
Basic	\$ (0.63)	\$ (0.59)	\$ (2.71)	\$ (1.90)
Diluted	\$ (0.63)	\$ (0.59)	\$ (2.71)	\$ (1.90)
Weighted-average shares of common stock outstanding used in computing net loss per share of common stock, basic and diluted	9,178,533	9,001,912	9,136,071	8,954,875

The accompanying notes are an integral part of these consolidated financial statements.

LAIRD SUPERFOOD, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	\$ (5,738,209)	\$ (5,351,698)	\$ (24,782,131)	\$ (16,984,461)
Other comprehensive loss, net of tax				
Change in unrealized losses on available-for-sale debt securities before classifications, net of tax ⁽¹⁾	—	1,952	—	(22,049)
Amounts reclassified from accumulated other comprehensive loss	—	—	61,016	—
Total other comprehensive income (loss)	—	1,952	61,016	(22,049)
Comprehensive loss	\$ (5,738,209)	\$ (5,349,746)	\$ (24,721,115)	\$ (17,006,510)

⁽¹⁾ The Company maintains a full valuation allowance related to our net deferred tax assets, primarily due to our historical net loss position. See note 11 for the estimated tax benefit deferred.

The accompanying notes are an integral part of these consolidated financial statements.

LAIRD SUPERFOOD, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Stockholders' Equity					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balances, January 1, 2022	9,094,539	\$ 9,095	\$ 117,903,455	\$ (61,016)	\$ (55,797,714)	\$ 62,053,820
Stock-based compensation	—	—	10,796	—	—	10,796
Stock option exercises	1,750	1	14,247	—	—	14,248
Restricted stock units issued, net of taxes	5,164	5	(5)	—	—	—
Amounts reclassified from accumulated other comprehensive loss	—	—	—	61,016	—	61,016
Net loss	—	—	—	—	(14,139,402)	(14,139,402)
Balances, March 31, 2022	9,101,453	\$ 9,101	\$ 117,928,493	\$ —	\$ (69,937,116)	\$ 48,000,478
Stock-based compensation	—	—	(209,242)	—	—	(209,242)
Stock option exercises	43,553	44	49,956	—	—	50,000
Restricted stock units issued, net of taxes	13,897	14	(14)	—	—	—
Employee stock purchase plan shares issued	11,055	11	28,276	—	—	28,287
Recovery of short-swing profits	—	—	28,555	—	—	28,555
Net loss	—	—	—	—	(4,904,520)	(4,904,520)
Balances, June 30, 2022	9,169,958	\$ 9,170	\$ 117,826,024	\$ —	\$ (74,841,636)	\$ 42,993,558
Stock-based compensation	—	—	483,426	—	—	483,426
Restricted stock units issued, net of taxes	30,512	31	(31)	—	—	—
Net loss	—	—	—	—	(5,738,209)	(5,738,209)
Balances, September 30, 2022	9,200,470	\$ 9,201	\$ 118,309,419	\$ —	\$ (80,579,845)	\$ 37,738,775

	Stockholders' Equity					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balances, January 1, 2021	8,892,886	\$ 8,893	\$ 111,452,346	\$ 14,207	\$ (31,927,168)	\$ 79,548,278
Stock-based compensation	—	—	1,010,003	—	—	1,010,003
Less: Withholding tax payments for share-based compensation	—	—	(188,793)	—	—	(188,793)
Stock option exercises	28,148	28	151,618	—	—	151,646
Common stock issuance costs	—	—	(82,043)	—	—	(82,043)
Other comprehensive loss, net of tax	—	—	—	(20,290)	—	(20,290)
Net loss	—	—	—	—	(5,330,504)	(5,330,504)
Balances, March 31, 2021	8,921,034	\$ 8,921	\$ 112,343,131	\$ (6,083)	\$ (37,257,672)	\$ 75,088,297
Stock-based compensation	—	—	1,090,074	—	—	1,090,074
Less: Withholding tax payments for share-based compensation	(956)	(1)	(30,362)	—	—	(30,363)
Stock option exercises	23,169	23	243,000	—	—	243,023
Restricted stock units issued	3,000	3	(3)	—	—	—
Common stock issued for business acquisition costs	53,134	53	1,834,804	—	—	1,834,857
Other comprehensive income, net of tax	—	—	—	(3,711)	—	(3,711)
Net loss	—	—	—	—	(6,302,259)	(6,302,259)
Balances, June 30, 2021	8,999,381	\$ 8,999	\$ 115,480,644	\$ (9,794)	\$ (43,559,931)	\$ 71,919,918
Stock-based compensation	—	—	1,042,440	—	—	1,042,440
Less: Withholding tax payments for share-based compensation	(962)	(1)	—	—	—	(1)
Restricted stock units issued	28,513	28	(28)	—	—	—
Stock option exercises	10,517	11	91,267	—	—	91,278
Other comprehensive income, net of tax	—	—	—	1,952	—	1,952
Net loss	—	—	—	—	(5,351,698)	(5,351,698)
Balances, September 30, 2021	9,037,449	\$ 9,037	\$ 116,614,323	\$ (7,842)	\$ (48,911,629)	\$ 67,703,889

The accompanying notes are an integral part of these consolidated financial statements.

LAIRD SUPERFOOD, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities		
Net loss	\$ (24,782,131)	(16,984,461)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation	496,932	454,400
Amortization	349,424	243,578
(Gain) Loss on disposal of equipment	(279)	5,600
Gain on sale of assets held-for-sale	(577,058)	—
Stock-based compensation	284,980	3,142,517
Provision for inventory obsolescence	223,914	168,436
Provision for doubtful accounts	131,815	—
Reserve for prepaid assets	—	179,000
Impairment of goodwill	6,486,000	—
Impairment of long-lived intangible assets	1,540,000	—
Impairment of fixed assets held-for-sale	100,426	—
Deferred taxes	(7,534)	86,495
Loss on sale of investment securities available-for-sale	182,310	8,317
Noncash lease costs	798,486	—
Changes in operating assets and liabilities:		
Accounts receivable, net	(417,670)	(72,150)
Inventory, net	1,179,416	(3,482,522)
Prepaid expenses and other current assets	2,025,588	1,137,741
Operating lease liability	(556,597)	267,787
Deposits	217,115	2,601
Accounts payable	(62,080)	184,722
Payroll liabilities	175,295	81,694
Accrued expenses	1,078,271	333,246
Net cash from operating activities	(11,133,377)	(14,242,999)
Cash flows from investing activities		
Purchase of property, plant, and equipment	(1,139,219)	(1,039,350)
Deposits on equipment to be acquired	—	(462,507)
Proceeds on sale of property, plant, and equipment	13,093	700
Purchase of software	(2,713)	(141,546)
Acquisition of a business, net of cash acquired (note 2)	—	(10,449,587)
Proceeds from sale of assets held-for-sale	1,596,212	—
Proceeds from sale of investment securities available-for-sale	8,513,783	—
Net cash from investing activities	8,981,156	(12,092,290)
Cash flows from financing activities		
Common stock issuance costs	—	(82,043)
Recovery of short-swing profits	28,555	—
Employee stock purchase plan shares issued	28,287	—
Withholding tax payments for share based compensation	—	(219,157)
Stock options exercised	64,248	485,947
Net cash from financing activities	121,090	184,747
Net change in cash and cash equivalents	(2,031,131)	(26,150,542)
Cash and cash equivalents beginning of year	23,049,234	57,208,080
Cash and cash equivalents end of year	\$ 21,018,103	\$ 31,057,538
Supplemental disclosures of cash flow information		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 5,285,330	\$ —
Supplemental disclosures of non-cash information		
Unrealized loss on available-for-sale securities	\$ —	\$ (22,049)
Common stock issued in connection with the acquisition of a business (note 2)	\$ —	\$ 1,834,857
Sale of assets held-for-sale included in accrued expenses at the beginning of the period	\$ (28,240)	\$ —
Amounts reclassified from accumulated other comprehensive loss	\$ 61,016	\$ —
Amounts reclassified from property, plant, and equipment to fixed assets held-for-sale	\$ 100,000	\$ —
Amounts reclassified from property, plant, and equipment to intangible assets	\$ 153,691	\$ —
Purchases of equipment included in deposits at the beginning of the period	\$ 372,507	\$ —
Property and equipment held-and-used reclassified to held-for-sale	\$ 947,394	\$ —

The accompanying notes are an integral part of these consolidated financial statements.

LAIRD SUPERFOOD, INC.
Notes to Unaudited Consolidated Financial Statements

1. Nature of Operations and Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements include the accounts of Laird Superfood, Inc., a Delaware corporation, and its wholly owned subsidiary, Picky Bars, LLC, (collectively, the “Company” or “Laird Superfood” or “we”).

Nature of Operations

Laird Superfood is an emerging consumer products platform focused on manufacturing and marketing highly differentiated, plant-based and functional foods from its headquarters in Sisters, Oregon. The core pillars of the Laird Superfood platform are currently Superfood Creamer coffee creamers, Hydrate hydration products and beverage enhancing supplements, harvest snacks and other food items, and roasted and instant coffees, teas and hot chocolate. The Company was founded in 2015.

Basis of Accounting

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America (“GAAP”) as contained within the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) and rules and regulations of the Securities and Exchange Commission (“SEC”). Operating results include the three and nine months ended September 30, 2022 and 2021. Certain information in footnote disclosures normally included in financial statements prepared in accordance with GAAP has been condensed or omitted pursuant to the rules and regulations of the SEC and the accounting standards for interim financial statements.

Unaudited Interim Consolidated Financial Information

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of its financial position and its results of operations, changes in stockholders’ equity and cash flows. The balance sheet as of December 31, 2021 was derived from audited annual consolidated financial statements. Operating results for the three and nine months ended September 30, 2022 are not necessarily indicative of the results expected for the fiscal year ending December 31, 2022. The accompanying unaudited consolidated financial statements and related financial information should be read in conjunction with the Company’s fiscal year 2021 Form 10-K filed with the SEC on March 8, 2022.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period. The Company bases its estimates and assumptions on historical experience, known trends and events and various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Although management believes its estimates and assumptions are reasonable when made, they are based upon information available at the time they are made. Management evaluates the estimates and assumptions on an ongoing basis and, if necessary, makes adjustments. Due to the risks and uncertainties involved in the Company’s business and evolving market conditions and given the subjective element of the estimates and assumptions made, actual results may differ from estimated results. The most significant estimates and judgments include those related to a business combination, allowances for doubtful accounts and returns, inventory obsolescence, goodwill, intangible assets, valuation allowance for deferred taxes, reserves on prepaid expenses, the discount rates used in determining right of use assets and related lease liabilities, standard cost of inventory, and fair value of stock-based compensation.

Principles of Consolidation

All significant intercompany accounts and transactions have been eliminated in our accompanying unaudited consolidated financial statements.

Business Combinations

Business combinations are accounted for under the acquisition method which requires identifiable assets acquired and liabilities assumed in the business acquired be recognized and measured at fair value on the acquisition date, which is the date that the acquirer obtains control of the acquired business. The amount by which the fair value of consideration transferred as the purchase price exceeds the net fair value of assets acquired and liabilities assumed is recorded as goodwill. The amount by which the net fair value of assets acquired, and liabilities assumed exceeds the fair value of consideration transferred as the purchase price is recorded as a bargain purchase gain. Acquisition-related transaction costs are expensed as incurred. These estimates are inherently uncertain and unpredictable. In addition, unanticipated events and circumstances may occur which may affect the accuracy or validity of such estimates. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill or bargain purchase gain. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company’s Consolidated Statements of Operations.

LAIRD SUPERFOOD, INC.
Notes to Unaudited Consolidated Financial Statements

Segment reporting

The Company currently has one operating segment. In accordance with ASC 280, Segment Reporting (“ASC 280”), the Company considers operating segments to be components of the Company’s business for which separate financial information is available and is evaluated regularly by management in deciding how to allocate resources and in assessing performance. Management reviews financial information presented on a consolidated basis for purposes of allocation of resources and evaluating financial performance. Accordingly, the Company has determined that it has a single operating and reportable segment.

Substantially all product sales for the periods provided were derived from domestic sales.

See Note 16 for additional information regarding sales by platform within the Company’s single segment.

Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash are highly liquid instruments with an original maturity of three months or less when purchased. For the purposes of the statements of cash flows, the Company includes cash on hand, cash in clearing accounts, cash on deposit with financial institutions, investments with an original maturity of three months or less, and restricted cash in determining the total balance.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows.

	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 20,918,235	\$ 22,932,663
Restricted cash	99,868	116,571
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 21,018,103</u>	<u>\$ 23,049,234</u>

Amounts in restricted cash represent those that are required to be set aside by contractual agreement. On December 3, 2020, the Company entered into an agreement with Danone Manifesto Ventures, PBC, which provided the Company \$298,103 in funds for the purpose of supporting three COVID-19 relief projects. During the three and nine months ended September 30, 2022 we contributed \$1,864 and \$16,703, respectively, to these projects. During the three and nine months ended September 30, 2021, we contributed \$30,526 and \$111,489, respectively, to these projects. The restriction will be released upon the completion of the projects.

Concentration of Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash on deposit and cash equivalents. At times, cash and cash equivalents balances may exceed the Federal Deposit Insurance Corporation (“FDIC”) insurable limits. The Company’s investment account (recognized as cash and cash equivalents) is with what the Company believes to be a high-quality issuer. The Company has never experienced any losses related to these balances. Non-interest-bearing amounts on deposit in excess of FDIC insurable limits as of September 30, 2022 and December 31, 2021 approximated \$11,608,726 and \$10,835,360, respectively.

Accounts Receivable, net

Accounts receivable, net consists principally of trade receivables, which are recorded at the invoiced amount, net of allowances for doubtful accounts. Trade receivables do not bear interest. Receivables are considered past due or delinquent according to contract terms. Management closely monitors outstanding balances and writes off accounts receivable as they are determined uncollectible. The Company provides for estimated losses on accounts receivable based on prior bad debt experience and a review of existing receivables. Based on these factors, management determined an allowance for doubtful accounts of \$131,815 and \$0 as of September 30, 2022 and December 31, 2021, respectively.

Available-for-sale Debt Securities

Our investment securities consisted entirely of investment-grade debt securities, all of which were classified as available-for-sale. Available-for-sale debt securities are recorded at fair value, and unrealized holding gains and losses are recorded, net of tax, as a component of accumulated other comprehensive income. Available-for-sale securities with remaining maturities of less than one year and those identified by management at the time of purchase to be used to fund operations within one year are classified as short-term. All other available-for-sale securities are classified as long-term. We evaluate our available-for-sale securities for other-than-temporary impairment on a quarterly basis. Unrealized losses are charged against net earnings when a decline in fair value is determined to be other than temporary. We review several factors to determine whether a loss is other than temporary, such as the length and extent of the fair value decline, the financial condition and near-term prospects of the issuer and whether we have the intent to sell or will more likely than not be required to sell before the securities’ anticipated recovery, which may be at maturity. Realized gains and losses are accounted for using the specific identification method. Purchases and sales are recorded on a trade date basis.

LAIRD SUPERFOOD, INC.
Notes to Unaudited Consolidated Financial Statements

Inventory

Inventory is stated at the lower of cost or net realizable value and consists primarily of raw materials and packaging and finished goods and include direct labor and allocable overhead. The following table presents the components of inventory as of:

	September 30, 2022	December 31, 2021
Raw materials and packaging	\$ 4,821,400	\$ 4,771,671
Finished goods	4,169,512	5,449,672
Total inventory	8,990,912	10,221,343
Inventory reserve	(172,899)	—
Total Inventory, net	<u>\$ 8,818,013</u>	<u>\$ 10,221,343</u>

The Company periodically reviews the value of items in inventory and provides write-offs of inventory based on current market assessment, which are charged to cost of goods sold. For the three and nine months ended September 30, 2022, the Company recorded \$189,071 and \$223,914, respectively, of inventory obsolescence. For the three and nine months ended September 30, 2021, the Company recorded \$21,614 and \$168,436, respectively, of inventory obsolescence.

As of September 30, 2022 and December 31, 2021, the Company had a total of \$632,006 and \$1,009,954, respectively, of prepayments for future raw materials inventory, net of reserve for prepaid assets of \$0 and \$179,000, respectively, which is included in prepaid expenses and other current assets, net on the unaudited consolidated balance sheets.

Property and Equipment, net

Property and equipment are valued at cost, net of accumulated depreciation. Expenditures for maintenance and repairs that do not extend the useful life or increase the value of the assets are charged to expense in the period incurred. Additions and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for depreciation purposes for furniture and factory equipment range from 3 to 10 years. The useful life for leasehold improvements is the lesser of the lease term or the useful life. Construction in progress is not depreciated until such a time that the assets are completed and placed into service. For the three and nine months ended September 30, 2022, depreciation expense was \$167,794 and \$496,932, respectively. For the three and nine months ended September 30, 2021, depreciation expense was \$152,139 and \$454,400, respectively.

As of September 30, 2022 and December 31, 2021, the Company had a total of \$0 and \$489,325, respectively, of deposits for future equipment purchases, which is included in deposits on the unaudited consolidated balance sheets.

Fixed Assets Held-for-Sale

Long-lived assets identified by the Company for sale, which have met all criteria to be classified as held for sale, are disclosed separately on the balance sheet. Fixed assets held for sale are measured at the lower of the assets carrying amount or fair value less costs to sell, and depreciation is no longer recorded. During the nine months ended September 30, 2022, the Company identified assets held for sale consisting of the Company's intermittent motion form ("IMF") production line. The Company determined a fair value less costs to sell of \$100,000 for all assets associated with the IMF production line. As the determined fair value is less than the net carrying value of the assets, the Company recorded an impairment loss of \$0 and \$100,426 during the three and nine months ended September 30, 2022. We sold these assets during the three months ended September 30, 2022, for \$103,240, recognizing a gain of \$3,240. The Company had no fixed assets held for sale as of September 30, 2022 or December 31, 2021.

Leases

We categorize leases at their inception as either operating or finance leases. Lease agreements cover office space, warehouse and distribution space, equipment, and vehicles. All of these leases are operating leases. Operating leases are included in right-of-use assets, current lease liabilities, and long-term lease liabilities in our unaudited consolidated balance sheets.

Leased assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. We use a secured incremental borrowing rate as the discount rate for present value of lease payments when the rate implicit in the contract is not readily determinable. For operating leases with variable payments dependent upon an index or rate that commenced subsequent to the adoption of ASU No. 2016-02, we apply the active index or rate as of the lease commencement date. Variable lease payments not based on an index or rate are not included in the operating lease liability as they cannot be reasonably estimated and are recognized in the period in which the obligation for those payments is incurred. Leases that have a term of twelve months or less upon commencement date are considered short-term in nature. Accordingly, short-term leases are not included on the unaudited consolidated balance sheets and are expensed on a straight-line basis over the lease term, which commences on the date we have the right to control the property.

We are the lessor in a sublease agreement. This lease is an operating lease and is recognized straight line over the lease term with a related sublease rental asset accounting for abatements and initial direct costs.

LAIRD SUPERFOOD, INC.
Notes to Unaudited Consolidated Financial Statements

Revenue Recognition

The Company recognizes revenue in accordance with the five-step model as prescribed by ASU 2014-09 in which the Company evaluates the transfer of promised goods or services and recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to be entitled to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within the scope of ASU 2014-09, the Company performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. See Note 16 for additional information regarding revenue recognition. The Company has elected, as a practical expedient, to account for the shipping and handling as fulfillment costs, rather than as a separate performance obligation. Methodologies for determining these provisions are dependent on customer pricing and promotional practices. The Company records reductions to revenue and a refund liability for estimated product returns and pricing adjustments in the same period that the related revenue is recorded. These estimates are based on industry-based historical data, historical sales returns, if any, analysis of credit memo data, and other factors known at the time.

Cost of Goods Sold

Cost of goods sold includes material, labor, and overhead costs incurred in the storage and distribution of products sold in the period. Material costs include the cost of products purchased. Labor and overhead costs consist of indirect product costs, including wages and benefits for manufacturing, planning, and logistics personnel, depreciation, facility costs and freight.

Shipping and Handling

Costs of shipping and handling related to sales revenue are included in cost of goods sold. Shipping and handling costs totaled \$1,622,290 and \$4,763,845 for the three and nine months ended September 30, 2022, respectively. Shipping and handling costs totaled \$1,675,438 and \$4,506,386 for the three and nine months ended September 30, 2021, respectively. Income generated from shipping costs billed through to customers was included in Sales, net in the unaudited consolidated statements of operations. Shipping income totaled \$289,505 and \$829,107 for the three and nine months ended September 30, 2022, respectively. Shipping income totaled \$195,085 and \$261,495 for the three and nine months ended September 30, 2021, respectively.

Research and Product Development

Amounts spent on research and development activities are expensed as incurred as research and product development expense on the unaudited consolidated statements of operations. Research and product development expense was \$115,077 and \$335,377 for the three and nine months ended September 30, 2022, respectively. Research and product development expense was \$242,604 and \$858,143 for the three and nine months ended September 30, 2021, respectively.

Advertising

Advertising costs are expensed when incurred. Advertising expenses for the three and nine months ended September 30, 2022 was \$1,832,172 and \$5,191,374, respectively. Advertising expenses for the three and nine months ended September 30, 2021 was \$1,954,377 and \$5,313,881, respectively.

Marketing

Marketing costs are expensed when incurred. Marketing expenses for the three and nine months ended September 30, 2022 were \$824,747 and \$2,983,417, respectively. Marketing expenses for the three and nine months ended September 30, 2021 were \$1,131,023 and \$3,079,181, respectively.

Income Taxes

Income taxes provide for the tax effects of transactions reported in the unaudited consolidated financial statements and consist of income taxes currently due and deferred tax assets and liabilities. The Company may also be subject to interest and penalties from taxing authorities on underpayment of income taxes. In such an event, interest and penalties are included in income tax expense. Deferred tax assets and liabilities are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to depreciable assets (use of different depreciation methods and lives for financial statement and income tax purposes), stock-based compensation, right of use assets, and net operating losses. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Due to the historical net loss position of the Company, the Company recorded a deferred tax valuation allowance of \$18,988,642 and \$13,124,828 as of September 30, 2022 and December 31, 2021, respectively.

LAIRD SUPERFOOD, INC.
Notes to Unaudited Consolidated Financial Statements

Stock Incentive Plan

The compensation cost relating to share-based payment transactions is recognized in the unaudited consolidated financial statements. The cost is measured based on the grant date fair value of the equity or liability instruments issued. Compensation cost for all employee stock awards is calculated and recognized over the employees' service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. Compensation cost for all consultant stock awards is calculated and recognized over the consultant's service period based on the grant date fair value of the equity or liability instruments issued. Upon exercise of stock option awards or vesting of restricted stock units ("RSUs") and market-based stock units ("MSUs"), recipients are issued shares of common stock. Pre-vesting forfeitures result in the reversal of all compensation cost as of the date of termination; post-vesting cancellation does not.

Earnings per Share

Basic earnings per share is computed on the basis of the weighted average number of shares of common stock that were outstanding during the period. Diluted earnings per share is similarly determined, except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if all dilutive potential common stock had been issued and is calculated under the treasury stock method. Due to the Company's net loss, all outstanding stock options, RSUs, and MSUs are anti-dilutive and excluded.

License Agreement – Indefinite Lived Intangible Asset

On August 3, 2015, the Company entered into a license agreement with the Company's co-founder Laird Hamilton (the "LH License"). The LH License stated Laird Hamilton's contribution to the Company was in the form of intellectual property, granting the Company the right to use Laird Hamilton's name and likeness. This contribution, which was reported on the unaudited consolidated balance sheets as of September 30, 2022 and December 31, 2021, was valued at \$132,000 and satisfied with the issuance of 660,000 shares of common stock. The Company has determined that the intangible asset associated with the LH License has an indefinite life, as there is no foreseeable limit on the period of time over which it is expected to contribute to the cash flows of the Company. Please see Note 15 for more information on the Company's related party transaction with Mr. Hamilton.

On May 2, 2018, the Company entered into a license agreement with Gabrielle Reece, who is married to Mr. Hamilton (the "GR License"). Pursuant to the GR License, Ms. Reece granted the Company rights to her name, signature, voice, picture, image, likeness and biographical information commencing on July 1, 2015. This contribution, which is reported on the unaudited consolidated balance sheets as of September 30, 2022 and December 31, 2021, was valued at \$100 based on the consideration exchanged. The Company has determined that the intangible asset associated with the GR License has an indefinite life, as there is no foreseeable limit on the period of time over which it is expected to contribute to the cash flows of the Company. Please see Note 15 for more information on the Company's related party transaction with Ms. Reece.

On November 19, 2018, the Company executed a License and Preservation Agreement with Mr. Hamilton and Ms. Reece which superseded the predecessor license agreements with both individuals. The agreement added specific terms related to noncompetition and allowable usage of the property under the license. No additional consideration was exchanged in connection with the agreement and the life of the agreement was set at 100 years.

On May 26, 2020, the Company executed a License and Preservation Agreement with Mr. Hamilton and Ms. Reece (the "2020 License"), which superseded the predecessor license and preservation agreement with both individuals. Among other modifications, the agreement (i) modified certain approval rights of Mr. Hamilton and Ms. Reece for use of their respective images, signatures, voices, and names (other than those owned by the Company), rights of publicity and common law and statutory rights to the foregoing in the Company's products, (ii) modified certain assignment, change of control and indemnification provisions, and (iii) granted the Company the right to extend the term of the agreement for additional ten-year terms upon the expiration of the initial one-hundred year term. No additional consideration was exchanged in connection with the agreement. As indefinite-lived intangibles, the Company assesses qualitative factors each reporting period to determine whether events and circumstances exist that indicate that the fair values of the licensing agreements were less than the carrying amounts. Upon considering these factors, the Company determined it was more likely than not that the fair value of the 2020 License was not less than the carrying amount; therefore, the Company recognized no impairment for the three and nine months ended September 30, 2022 and 2021.

Definite Lived Intangible Assets, net

Definite lived intangible assets are valued at cost, net of accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for amortization purposes range between 3 and 10 years. Amortization expense is allocated to general and administrative expense. For the three and nine months ended September 30, 2022, amortization expense was \$104,201 and \$349,424, respectively. For the three and nine months ended September 30, 2021, amortization expense was \$139,775 and \$243,578, respectively. The Company assesses qualitative factors each reporting period to determine whether events and circumstances exist that indicate that the fair values of the definite lived intangible assets were less than the carrying amounts. In the last month of the first quarter of 2022, management determined the sustained decline in stock price, coupled with changes in market conditions, was a triggering event. Upon considering these factors, the Company determined it was more likely than not that the fair value was less than the carrying amount; therefore, the Company recognized impairment charges of \$0 and \$1,540,000 for the three and nine months ended September 30, 2022, respectively. There were no impairment charges in the three and nine months ended September 30, 2021.

LAIRD SUPERFOOD, INC.
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Goodwill

Goodwill represents the excess of purchase price over the assigned fair values of the assets acquired and liabilities assumed in conjunction with a business combination. Goodwill is reviewed for impairment annually as of December 31, or whenever events occur or circumstances change that indicate goodwill may be impaired. In testing goodwill for impairment, the Company has the option to perform a qualitative assessment to determine whether the existence of events or circumstances indicate that it is more-likely-than-not (more than 50%) that the fair value of goodwill is less than its carrying amount. When performing a qualitative assessment, the Company evaluates factors such as industry and market conditions, cost factors, overall financial performance, and other relevant entity specific events and changes. If the qualitative assessment indicates that it is more-likely-than-not that the fair value of goodwill is less than its carrying amount, or if the Company chooses not to perform the qualitative assessment, then a quantitative assessment is performed to determine the reporting unit's fair value. If the carrying value exceeds its fair value, then an impairment loss is recognized for the amount of the excess of the carrying amount over the fair value, not to exceed the total amount of goodwill. In the last month of the first quarter, management had determined the sustained decline in stock price, coupled with change in market conditions, was determined to be a triggering event. The Company performed a qualitative and quantitative analysis on the Company's goodwill for impairment concluding that the fair value of goodwill as calculated using a discounted cash flow model exceeds the carrying value, indicating that goodwill is impaired. The Company recorded goodwill impairment charges of \$0 and \$6,486,000 during the three and nine months ended September 30, 2022. There were no goodwill impairment charges in the three and nine months ended September 30, 2021.

Employee Benefit Plan

The Company sponsors a defined contribution 401(k) plan (the "401(k) plan") for all employees 18 years or older. The 401(k) plan was initiated on July 1, 2018. Employee contributions may be made on a before-tax basis, limited by Internal Revenue Service regulations. For the three and nine months ended September 30, 2022 and 2021, we did not match employee contributions.

JOBS Act Accounting Election

The Company qualifies as an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. An emerging growth company can elect to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. Currently, the Company has elected to file as an emerging growth company defined under the JOBS Act, and as such, these unaudited consolidated financial statements may not be comparable to the financial statements of companies that comply with the new or revised accounting pronouncements as of public company effective dates.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued Leases (Topic 842) ("ASU 2016-02"), whereby a lessee will be required to recognize for all leases at the commencement date a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. A modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements must be applied. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. ASU 2016-02 is effective for the Company's annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

On January 1, 2022, we adopted ASU 2016-02 and subsequent updates, collectively referred to as Topic 842, using the modified retrospective transition method. In addition, we adopted the package of practical expedients in transition, which permits us to not reassess our prior conclusions pertaining to lease identification, lease classification and initial direct costs on leases that commenced prior to our adoption of the new standard. We also elected the ongoing practical expedient to not recognize operating lease right-of-use assets and operating lease liabilities related to short-term leases.

The Company adopted Topic 842 using the modified retrospective transition approach provided in ASC 842-10-65-1(c)(2), which requires recognition of the cumulative effect adjustment, if any, of initially applying the standard to the opening balance of retained earnings in the period of adoption (i.e., January 1, 2022). There was no cumulative adjustment to be recognized at January 1, 2022.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. We adopted ASU 2020-04 in the first quarter of 2022. The adoption had no impact on our consolidated financial position, results of operations, or cash flows.

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Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments – Credit Losses (“Topic 326”): Measurement of Credit Losses on Financial Instruments,” as modified by subsequently issued ASUs 2018-19 (issued November 2018), 2019-04 (issued April 2019), 2019-05 (issued May 2019), 2019-11 (issued November 2019), 2020-02 (issued February 2020) and 2020-03 (issued March 2020). Topic 326 modifies the measurement and recognition of credit losses for most financial assets and certain other instruments, requiring the use of forward-looking expected credit loss models based on historical experience, current economic conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount, which may result in earlier recognition of credit losses under the new standard. It also requires that credit losses related to available-for-sale debt securities be recorded as an allowance through net income rather than reducing the carrying amount under the current, other-than-temporary-impairment model. The standard requires a modified retrospective approach with a cumulative effect adjustment to retained earnings. ASU 2016-13 is effective for the Company’s annual periods beginning after December 15, 2022, including interim periods within those fiscal years. The adoption of ASU 2016-13 is not expected to have a material impact on its consolidated financial statements.

Reclassification of Prior Period Presentation

Certain prior period amounts have been reclassified for consistency with the current year presentation. As a result, certain line items have been amended in the statements of operations, statements of cash flow, and the related notes to the unaudited consolidated financial statements.

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the unaudited consolidated financial statements are available to be issued. The Company has evaluated events and transactions subsequent to September 30, 2022 for potential recognition of disclosure in the unaudited consolidated financial statements.

On October 12, 2022, the Board of Directors of the Company approved a plan to transition the production of substantially all products that the Company internally manufactures to third-party co-packers, which is expected to improve operating margins and permit the Company to focus its resources on brand development, sales, and marketing.

As part of the plan, the Company will close its production facilities in Sisters, Oregon and reduce headcount by approximately 46 employees, which represents approximately 55% of its total employees. The Company expects to recognize approximately \$0.5 million of restructuring charges consisting of severance and other employee-related costs. Other costs associated with building and lease exit costs, any impairments of assets, and other related restructuring and exit costs are still being evaluated. The Company expects substantially all charges associated with the workforce reduction to be incurred during the quarter ending December 31, 2022, with related cash payments expected to be substantially paid out by the end of the first quarter of 2023.

LAIRD SUPERFOOD, INC.
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2. Business Combination

On May 3, 2021, the Company entered into a definitive agreement to purchase all of the outstanding membership interest units in Picky Bars, LLC (“Picky Bars”), innovators in the healthy snack industry focused on nutritionally balanced, real-food products to fuel performance, for a debt-free purchase price of \$11,111,830 in cash, subject to customary working capital adjustments, and 53,133 shares of Company common stock, subject to certain vesting conditions. The transaction closed simultaneously with execution of the agreement. Picky Bars results of operations were included in the Company’s results beginning May 2021. The fair value of the shares of common stock issued as part of the consideration paid for Picky Bars was determined on the basis of the closing price of the Company’s common stock on the acquisition date.

The following table summarizes the consideration paid for Picky Bars and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

Consideration	
Cash	\$ 11,111,830
Equity instruments	1,834,857
Fair value of total consideration transferred	<u>\$ 12,946,687</u>
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash	\$ 662,243
Accounts receivable	48,517
Prepaid expenses and other current assets	237,166
Deposits	6,000
Inventory	726,006
Property and equipment, net	55,378
Intangible assets	4,930,000
Total assets acquired	<u>6,665,310</u>
Accounts payable	47,323
Accrued expenses	131,661
Payroll liabilities	9,189
Contract liabilities	16,450
Total liabilities assumed	<u>204,623</u>
Total identifiable net assets	<u>6,460,687</u>
Goodwill	<u>\$ 6,486,000</u>

The transaction is aligned with Laird Superfood’s strategic goals, specifically the addition of unique and innovative daily-use products across the Company’s omnichannel platform, and the acquisition of highly complementary assets such as a recurring direct-to-consumer customer base, and is expected to support continued net sales growth and improve the gross margin profile of the Company. Goodwill arising as a result of the acquisition of Picky Bars is primarily the result of synergies in business strategy, target market, and values, from expected cost savings from consolidating operations, and from the anticipated growth that the Company’s supply chain and resources will bring to Picky Bars’ operations. Operations have been fully integrated under management of the Company in Sisters, Oregon. The Company continues to operate as one segment. Our estimates of fair value of intangible assets are based upon assumptions believed to be reasonable, yet are inherently uncertain and, as a result, may differ from actual performance. During the measurement period, not to exceed one year from the date of acquisition, we may record adjustments to the estimated fair values of the assets acquired and liabilities assumed with a corresponding adjustment to goodwill, as appropriate, in the period in which such revised estimates are identified. The measurement period is complete, and the Company recorded goodwill and intangible asset impairment charges in the first quarter of 2022 of \$6,486,000 and \$1,540,000, respectively. See Note 9 of the notes to these consolidated unaudited financial statements.

The following table summarizes the components of the intangible assets acquired as of the acquisition date and their estimated useful lives:

	Estimated Useful Life	Fair Value
Trade names	10 years	\$ 2,530,000
Customer relationships	10 years	1,990,000
Recipes	10 years	330,000
Social media agreements	3 years	80,000
Total intangible assets acquired		<u>\$ 4,930,000</u>

The following unaudited pro forma summary presents the results of the Company as if the acquisition of Picky Bars had occurred on January 1 of the year of the acquisition:

	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Net Sales	\$ 10,865,914	\$ 29,191,720
Net Loss	\$ (5,351,698)	\$ (16,712,048)

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This unaudited pro forma financial data is included only for the purpose of illustration and does not necessarily indicate what the operating results would have been if the acquisition had occurred on January 1 of the year prior to the acquisition. Moreover, this information is not indicative of what the Company's future operating results will be. The information prior to the acquisition is included based on prior accounting records maintained by Picky Bars. The pro forma amounts have been calculated after applying the Company's accounting policies and adjusting the results of Picky Bars to reflect the accrual of payroll related costs and depreciation. The unaudited pro forma financial information includes non-recurring adjustments to remove transaction costs directly attributable to the acquisition.

3. Prepaid Expenses and Other Current Assets, Net

The following table presents the components of prepaid expenses and other current assets, net, as of:

	September 30, 2022	December 31, 2021
Prepaid insurance	\$ 101,868	\$ 1,586,768
Prepaid inventory	632,006	1,009,954
Prepaid subscriptions and license fees	451,120	455,781
Prepaid, other	176,862	240,657
Prepaid advertising	253,716	253,750
Other current assets	186,383	459,633
Total prepaid and other assets	1,801,955	4,006,543
Reserve for prepaid inventory	—	(179,000)
Prepaid and other assets, net	\$ 1,801,955	\$ 3,827,543

4. Investment securities

The Company held no investment securities as of September 30, 2022. Investment securities as of December 31, 2021 consisted of the following:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
December 31, 2021				
Federal agency bonds — mortgage-backed	\$ 8,696,093	\$ —	\$ (61,016)	\$ 8,635,077
Total debt securities available-for-sale	\$ 8,696,093	\$ —	\$ (61,016)	\$ 8,635,077

The amortized cost and estimated fair value of investment securities as of December 31, 2021, by contractual maturity, are shown below:

	Available-for-sale	
	Amortized cost	Estimated fair value
December 31, 2021		
Due after one year through five years	\$ 8,696,093	\$ 8,635,077
Total debt securities available-for-sale	\$ 8,696,093	\$ 8,635,077

Investment securities with an estimated fair value of \$8,635,077 as of December 31, 2021 were pledged to secure our revolving line of credit. See Note 6 for additional information.

The Company recorded sales of available-for-sale debt securities during the three and nine months ended September 30, 2022 of \$0 and \$8,513,783, respectively, and recognized a loss on the sale of \$182,310 in the first quarter of 2022. The Company recorded no sales or maturities of available-for-sale securities during the three and nine months ended September 30, 2021.

5. Fair Value Measurements

Factors used in determining the fair value of our assets and liabilities are summarized into three broad categories:

- Level 1 – quoted prices in active markets for identical securities as of the reporting date;
- Level 2 – other significant directly or indirectly observable inputs, including quoted prices for similar securities, interest rates, prepayment speeds and credit risk; and
- Level 3 – significant inputs that are generally less observable than objective sources, including our own assumptions in determining fair value.

The factors or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

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The Company held no assets subject to fair value measurements as of September 30, 2022. The following tables summarize assets subject to fair value measurements as of December 31, 2021:

Fair Value as of December 31, 2021	Level 1	Level 2	Level 3
Federal agency bonds — mortgage-backed	\$ —	\$ 8,635,077	\$ —

The Company believes the carrying amounts of Cash and cash equivalents, Accounts receivable, Prepaid expenses and other current assets, Deposits, Other Assets, Accounts payable, Payroll liabilities and Accrued expenses are a reasonable approximation of the fair value of those financial instruments because of the nature of the underlying transactions and the short-term maturities involved.

The Company believes that fair values of U.S. Agency Bonds issued by the Federal Home Loan Mortgage Corporation are determined using the spread above the risk-free yield curve. As the yields for the risk-free yield curve and the spreads for these securities are observable market inputs, the fair values of U.S. agency bonds are included in the Level 2 fair value hierarchy.

6. Revolving Lines of Credit

On September 2, 2021, the Company entered into a revolving line of credit with Wells Fargo Bank National Association in a principal amount not exceeding \$9,500,000. The line of credit was renewed on September 1, 2022, with a maturity date of August 31, 2023, and the available credit was reduced to \$5,000,000. The outstanding amounts under the line of credit have an interest rate calculated as Daily Simple Secured Overnight Financing Rate (“SOFR”) plus 1.5% per annum until paid in full. The balance on the line of credit was \$0 as of September 30, 2022 and December 31, 2021. Management was in compliance with all financial covenants as of September 30, 2022 and December 31, 2021.

On February 5, 2019, the Company entered into a revolving line of credit with First Interstate Bank (“FIB”) in a principal amount not exceeding \$5,000,000. The line of credit was secured by the Company’s investment account held at FIB. The outstanding amounts under the line of credit had an interest rate calculated as LIBOR plus 2.0% per annum until paid in full. The loan agreement was renewed by the Company on March 1, 2021 and was closed on September 23, 2021.

On August 10, 2017, the Company entered into a revolving line of credit with East Asset Management, LLC (“East”) in a principal amount not exceeding the lesser of the borrowing base or \$3,000,000. The outstanding amounts under the line of credit had a fixed interest rate of 15% per annum until paid in full and the line of credit has a maturity date of August 10, 2022. The balance on the line of credit was \$0 as of December 31, 2021. Management was in compliance with all financial covenants as of December 31, 2021. The loan agreement was closed on May 19, 2022.

A secondary line of credit with East in an amount up to \$200,000 was available to the Company, which was not subject to the requirements of the borrowing base. The secondary line was available with the same draw and payback conditions as the primary line. The balance on the line of credit was \$0 as of December 31, 2021. The loan agreement was closed on May 19, 2022.

East was also granted a right of first refusal on any future equity offerings by the Company to purchase up to 20% of equity in any such offerings at a 20% price per share discount, subject to certain exclusions. These rights terminated concurrently with the closure of the associated loan agreements on May 19, 2022.

7. Long-term Debt

City of Sisters

On May 30, 2017, the Company entered into a forgivable loan agreement with the City of Sisters in the amount of \$51,000. This forgivable loan was issued to help the Company expand its business operations in the city of Sisters, Oregon through eligible jobs. The Company had until May 30, 2020 to create jobs for 30 full-time employees with an average annual salary of \$40,000 per person, and, once created and filled, the Company must maintain those jobs for an additional period of three years for the loan to be converted to a grant. If the requirements were not met, the Company would have been required to pay the loan in full, including interest of eight percent per annum on the unpaid principal amount. The Company created the eligible jobs as of April 1, 2018, and the loan was converted to a grant effective December 8, 2021.

LAIRD SUPERFOOD, INC.
Notes to Unaudited Consolidated Financial Statements

8. Property and Equipment, net

Property and Equipment, net

Property and equipment, net is comprised of the following as of:

	September 30, 2022	December 31, 2021
Factory equipment	\$ 4,228,350	\$ 3,278,035
Land	—	947,394
Furniture and office equipment	728,612	592,316
Leasehold improvements	1,170,462	993,581
Construction in progress	—	148,984
	<u>6,127,424</u>	<u>5,960,310</u>
Accumulated depreciation	(1,914,020)	(1,447,375)
Property and equipment, net	<u>\$ 4,213,404</u>	<u>\$ 4,512,935</u>

Depreciation expense was \$167,794 and \$496,932 for the three and nine months ended September 30, 2022, respectively. Depreciation expense was \$152,139 and \$454,400 for the three and nine months ended September 30, 2021, respectively.

Assets Classified as Held-for-Sale

In the first quarter of 2022, the Company entered into a vacant land real estate sale agreement for the sale of excess unused lots in Sisters, Oregon for a sales price of \$1,572,512. The Company sold the land in the second quarter of 2022 resulting in a gain of \$573,818 included in general and administrative expenses.

In the second quarter of 2022, the Company entered into a purchase order agreement for the sale of the intermittent motion form (“IMF”) production line for a sales price of \$100,000. The book value exceeded the fair market value and, as such, the Company recorded an impairment charge of \$0 and \$100,426 for the three and nine months ended September 30, 2022. The Company sold these assets in the third quarter of 2022 for \$103,240, recording a gain of \$3,240 included in general and administrative expenses.

9. Goodwill and Intangible Assets, Net

Goodwill

Goodwill represents the excess of purchase price over the assigned fair values of the assets acquired and liabilities assumed in connection with the acquisition of Picky Bars. The carrying amount of goodwill attributed to the acquisition of Picky Bars was \$6,486,000 as of the acquisition date.

Goodwill is reviewed for impairment annually at December 31. In testing goodwill for impairment, the Company has the option to perform a qualitative assessment to determine whether the existence of events or circumstances indicate that it is more-likely-than-not (more than 50%) that the fair value of a reporting unit is less than its carrying amount. When performing a qualitative assessment, the Company evaluates factors such as industry and market conditions, cost factors, overall financial performance, and other relevant entity specific events and changes. If the qualitative assessment indicates that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, or if the Company chooses not to perform the qualitative assessment, then a quantitative assessment is performed to determine the reporting unit’s fair value. If the reporting unit’s carrying value exceeds its fair value, then an impairment loss is recognized for the amount of the excess of the carrying amount over the reporting unit’s fair value, not to exceed the total amount of goodwill allocated to the reporting unit.

In addition to the annual impairment test, the Company is required to regularly assess whether a triggering event has occurred which would require interim impairment testing. The Company considered the current and expected future economic and market conditions and their impact on the Company, as well as the current market capitalization.

In the last month of the first quarter of 2022, management determined the sustained decline in stock price, coupled with changes in market conditions, was a triggering event. The Company performed a qualitative and quantitative analysis on the Company’s goodwill for impairment, concluding that the fair value of goodwill as calculated using a discounted cash flow model exceeds the carrying value, this indicating that goodwill is impaired. As such, the Company recorded a goodwill impairment of \$0 and \$6,486,000 for the three and nine months ended September 30, 2022, respectively.

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Intangible Assets, Net

Intangible Assets, net is comprised of the following:

	September 30, 2022	December 31, 2021
Trade names (10 years)	\$ 2,190,083	\$ 2,530,000
Customer relationships (10 years)	371,898	1,990,000
Recipes (10 years)	330,000	330,000
Social media agreements (3 years)	80,000	80,000
Software (3-15 years)	345,067	188,662
Amortizable intangible assets	3,317,048	5,118,662
Accumulated amortization	(343,314)	(411,908)
Amortizable intangible assets, net	2,973,734	4,706,754
Licensing agreements (indefinite)	132,100	132,100
Total Intangible assets, net	\$ 3,105,834	\$ 4,838,854

The weighted-average useful life of all the Company's intangible assets is 8.0 years.

For the three and nine months ended September 30, 2022, amortization expense was \$104,201 and \$349,424, respectively. For the three and nine months ended September 30, 2021, amortization expense was \$139,775 and \$243,578, respectively.

During the three and nine months ended September 30, 2022, the Company assessed whether a triggering event has occurred which would require interim impairment testing long-lived intangible assets for impairment. In the first quarter of 2022, the Company determined that a triggering event had occurred which would require an interim impairment test to be performed. In conjunction with the goodwill qualitative and quantitative assessment performed, the Company performed a quantitative assessment of intangible assets acquired in the business combination with Picky Bars, and recorded impairment of the related long-lived intangible assets of \$0 and \$1,540,000 for the three and nine months ended September 30, 2022, respectively.

Intangible assets are amortized using the straight-line method over estimated useful lives ranging from three to fifteen years. The estimated amortization expense for each of the next five years and thereafter is as follows:

2022 (excluding the nine months ended September 30, 2022)	\$ 104,063
2023	415,746
2024	359,875
2025	306,502
2026	296,407
Thereafter	1,491,141
	\$ 2,973,734

10. Leases

In February 2016, the FASB issued new accounting guidance on leases. Effective January 1, 2022, we adopted the standard using the modified retrospective method, under which we elected the package of practical expedients and transition provisions allowing us to bring our existing operating leases onto the unaudited consolidated balance sheet without adjusting comparative periods.

Lessee

In accordance with Topic 842, Leases, the Company accounts for a contract as a lease when it has the right to control the asset for a period of time while obtaining substantially all of the asset's economic benefits. The Company determines if an arrangement is a lease or contains an embedded lease at inception. For arrangements that meet the definition of a lease, the Company determines the initial classification and measurement of its right-of-use asset and lease liability at the lease commencement date and thereafter if modified. The lease term includes any renewal options that the Company is reasonably assured to exercise.

In addition to rent, the leases may require the Company to pay additional costs, such as utilities, maintenance and other operating costs, which are generally referred to as non-lease components. The Company has elected to not separate lease and non-lease components. Only the fixed costs for lease components and their associated non-lease components are accounted for as a single lease component and recognized as part of a right-of-use asset and liability. Lease-related liabilities are recognized at the present value of the remaining contractual fixed lease payments, discounted using our incremental borrowing rate. Operating lease expense is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred.

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The Company currently leases its warehouse space under a commercial lease with RII Lundgren Mill, LLC, dated March 1, 2018. The lease commenced March 1, 2018 with monthly payments of \$6,475, to escalate after 24 months by the lesser of 3% or the Consumer Price Index ("CPI") adjustment. The initial lease term is ten years, and the Company has the option to renew the lease for two additional five-year periods. The landlord has paid for many tenant improvements and the Company has committed to reimbursing the landlord, in additional rents, for specific improvements. On November 20, 2018, the Company completed the reimbursement of \$797,471. The Company also issued the landlord 2,000 stock options on April 15, 2018 with a strike price of \$7.50 per share in conjunction with this lease agreement.

The Company executed a second lease for additional warehouse and office space under a commercial lease with RII Lundgren Mill, LLC, dated December 17, 2018. The lease commenced on July 1, 2019 with monthly payments of \$12,784, to escalate after 24 months by the lesser of 3% or the CPI adjustment. However, for accounting purposes the lease commencement date was June 6, 2019. The initial lease term is ten years, and the Company has the option to renew the lease for two additional five-year periods. The landlord has paid for many tenant improvements and the Company has committed to reimbursing the landlord, in additional rents, for specific improvements. On December 20, 2018, the Company completed the initial reimbursement of \$1,202,529. The Company made the final reimbursement in the amount of \$1,399,001 on December 31, 2019.

The Company executed a third lease for additional warehouse and office space under a commercial lease with RII Lundgren Mill, LLC, dated October 1, 2021. The lease commenced on October 1, 2021 with monthly payments of \$38,869, to escalate after 24 months by the lesser of 3% or the CPI adjustment. The initial lease term is ten years, and the Company has the option to renew the lease for two additional five-year periods.

The Company assumed an operating lease in the acquisition of Picky Bars, LLC on May 3, 2021. The Company pays monthly rent of \$4,609, which escalates by 3% in months 15, 27, 39, and 51. The initial lease term is 62 months, and the Company has the option to renew the lease for two additional three-year periods.

The components of lease expense were as follows:

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Operating leases		
Operating lease cost	\$ 267,027	\$ 801,240
Variable lease cost	27,635	108,274
Operating lease expense	294,662	909,514
Short-term lease rent expense	88,302	191,799
Total rent expense	<u>\$ 382,964</u>	<u>\$ 1,101,313</u>

	Nine Months Ended September 30, 2022
Operating cash flows - operating leases	\$ 556,597
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 5,285,330

	September 30, 2022
Weighted-average remaining lease term – operating leases (in years)	8.1
Weighted-average discount rate – operating leases	3.75 %

As of September 30, 2022, future minimum payments during the next five years and thereafter are as follows:

2022 (excluding the nine months ended September 30, 2022)	\$ 185,594
2023	743,549
2024	745,345
2025	704,453
2026	683,704
Thereafter	2,593,723
Total	<u>5,656,368</u>
Less imputed interest	<u>(783,428)</u>
Operating lease liabilities	<u>\$ 4,872,940</u>

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Lessor

The Company executed a sublease agreement of the Picky Bars, LLC operating lease on March 1, 2022. The lease commenced on April 1, 2022. The sublessee pays monthly rent of \$4,889 beginning August 1, 2022, to escalate after 12 months by 3%. The initial lease term expires on April 30, 2025. The lease meets all of the criteria of an operating lease and is accordingly recognized straight line over the lease term with a related sublease rental asset accounting for abatements and initial direct costs. The Company had \$20,293 and \$0 of sublease rental assets as of September 30, 2022 and December 31, 2021, respectively, included in prepaid and other current assets on the unaudited consolidated balance sheets.

The components of rental income were as follows:

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Operating leases		
Operating lease income	\$ 14,055	\$ 28,109
Variable lease income	4,844	7,555
Total rental income	<u>\$ 18,899</u>	<u>\$ 35,664</u>

As of September 30, 2022, future minimum payments to be received during the next five years and thereafter are as follows:

2022 (excluding the nine months ended September 30, 2022)	\$ 14,668
2023	59,845
2024	61,640
2025	20,748
2026	—
Thereafter	—
Total	<u>\$ 156,901</u>

11. Deferred Tax Assets and Liabilities

The Company had a tax net loss for the three and nine months ended September 30, 2022 and 2021, and therefore has recorded no assessment of current federal income taxes. The Company is subject to minimum state taxes for various jurisdictions as well as subject to franchise taxes considered income taxes under ASC 740. A reconciliation of income tax expense at the federal statutory rate to the income tax provision at the Company's effective rate is as follows for nine months ended September 30, 2022 and 2021:

	September 30, 2022	September 30, 2021
Income tax benefit at statutory rates	\$ 5,203,100	\$ 3,548,573
Valuation allowance for deferred tax assets	(5,066,864)	(4,055,676)
Stock-based compensation	(264,458)	(237,600)
Other benefit, net	122,448	658,208
Reported income tax expense	<u>(5,774)</u>	<u>(86,495)</u>
Effective tax rate:	0.00%	0.00%

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The Company's deferred tax assets and liabilities consisted of the following as of:

	September 30, 2022	December 31, 2021
Noncurrent deferred tax assets:		
Net operating loss carryforwards	\$ 15,985,235	\$ 11,999,882
Intangible assets	1,858,964	17,951
Property and equipment	609,050	686,601
Research and development credits	223,613	165,216
Accrued expenses	70,850	98,296
Bad debt reserve	32,209	—
Charitable contributions	40,471	38,447
Unexercised options	677,931	679,688
Total noncurrent deferred tax assets	19,498,323	13,686,081
Noncurrent deferred tax liabilities:		
Right of use asset	509,681	568,787
Total noncurrent deferred tax liabilities	509,681	568,787
Net noncurrent deferred tax assets	18,988,642	13,117,294
Valuation allowance	(18,988,642)	(13,124,828)
Total net noncurrent deferred tax liabilities	\$ —	\$ (7,534)

The Company assesses its deferred tax assets and liabilities to determine if it is more likely than not they will be realized; if not, a valuation allowance is required to be recorded. During the nine months ended September 30, 2022, the Company recorded an indefinite-lived deferred tax asset of \$1.5 million to account for the book vs. tax basis difference related to the goodwill intangible asset acquired in the Picky Bars acquisition. During the nine months ended September 30, 2022, the goodwill relating to the Picky Bars stock acquisition was fully impaired for GAAP. Due to the impairment, there is a deferred tax asset associated with the indefinite-lived intangible asset. The valuation allowance is increased by the indefinite-lived intangible assets. Previously, there was an indefinite-lived deferred tax liability that was excluded from sources of future taxable income, as the timing of its reversal cannot be predicted due to the indefinite life of the goodwill and U.S. federal net operating losses ("NOLs"). A naked credit resulted due to indefinite-lived deferred tax liability's inability to reduce the valuation allowance for U.S. federal income tax purposes.

As of September 30, 2022, the Company did not provide a current or deferred U.S. federal or state income tax provision or benefit for any of the periods presented because the Company has reported cumulative losses since inception. Management has determined that it was not more likely than not that the deferred tax assets would be realized, thus a full valuation allowance was recorded against the deferred tax assets. The Company may reduce the valuation allowance against definite-lived deferred tax assets at such time when it becomes more likely than not that the definite-lived deferred tax assets will be realized. The Company has recorded a provision for state income taxes and a corresponding current state tax payable of \$13 thousand.

The change in the valuation allowance for deferred tax assets and liabilities for the nine months ended September 30, 2022 was a net increase of \$5.8 million. At September 30, 2022 and December 31, 2021, the Company had NOLs totaling approximately \$95.6 million and \$72.6 million, respectively. At September 30, 2022 and December 31, 2021, the Company had federal NOLs totaling approximately \$1.9 million from 2017 and prior years that can be carried forward for 20 years, which begin to expire in 2036. At September 30, 2022 and December 31, 2021, the Company had federal NOLs totaling approximately \$62.2 million and \$46.2 million, respectively from 2018 and subsequent years that can be carried forward indefinitely. At September 30, 2022 and December 31, 2021, the Company had state NOLs totaling \$32.1 million and \$24.5 million, respectively, that can be carried forward for between 15 and 20 years. At September 30, 2022 and December 31, 2021, the Company had credits totaling \$0.5 million and \$0.4 million, respectively, that can be carried forward for between 5 and 20 years.

GAAP requires management to evaluate and report information regarding its exposure to various tax positions taken by the Company. The Company has determined whether there are any tax positions that have met the recognition threshold and has measured the Company's exposure to those tax positions. Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. U.S. and state jurisdictions have statutes of limitations that generally range from 3 to 5 years.

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12. Stock Incentive Plan

The Company adopted an incentive plan (the “2020 Omnibus Incentive Plan”) on September 22, 2020, to provide for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, deferred stock units, unrestricted stock, dividend equivalent rights, performance shares and other performance-based awards, other equity-based awards and cash bonus awards to Company employees, employees of the Company’s affiliates, non-employee directors and certain consultants and advisors. The Company is authorized to award 1,355,715 shares under the 2020 Omnibus Incentive Plan. Previously, the Company had adopted its 2018 Equity Incentive Plan and 2016 Stock Incentive Plan (together with the 2020 Omnibus Incentive Plan, the “Stock Incentive Plans”), under which the Company had issued stock options and restricted stock units. Following the effective date of the 2020 Omnibus Incentive Plan, no additional awards may be made under the 2018 Equity Incentive Plan or 2016 Stock Incentive Plan. The Stock Incentive Plans were established to provide eligible individuals with an incentive to contribute to the Company’s success and to operate and manage the Company’s business in a manner that will provide for its long-term growth and profitability and that will benefit the Company’s shareholders and other stakeholders, including employees and customers. The Stock Incentive Plans are also intended to provide a means of recruiting, rewarding, and retaining key personnel.

Stock Options

The Stock Incentive Plans prescribe various terms and conditions for the award of options and the total number of shares authorized for this purpose. For options, the strike price is equal to the fair market value of the Company’s stock price at the date of grant. Generally, options become exercisable based on years of service and vesting schedules, and expire after (i) a period of ten years from the date of grant, (ii) three months following the date of termination of employment from the Company, (iii) one year following the date of termination from the Company by reason of death or disability, (iv) the date of termination of employment for cause, or (v) the fifth anniversary of the date of the grant if it is held by a 10 percent or greater stockholder.

The following tables summarize the Company’s stock option activity:

	Options Activity	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance at January 1, 2022	747,800	\$ 11.51	6.57	\$ 1,143,013
Granted	453,498	7.21		
Exercised/released	(76,750)	2.14		
Cancelled/forfeited	(317,185)	15.25		
Balance at September 30, 2022	807,363	\$ 8.50	7.73	\$ —
Exercisable at September 30, 2022	314,343	\$ 8.72	5.42	\$ —

	Options Activity	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance at January 1, 2021	887,640	\$ 9.65	6.42	\$ 33,433,274
Granted	56,541	41.03		
Exercised/released	(61,119)	8.21		
Cancelled/forfeited	(82,833)	15.79		
Balance at September 30, 2021	800,229	\$ 11.41	6.83	\$ 6,135,017
Exercisable at September 30, 2021	580,601	\$ 7.92	6.27	\$ 11,077,867

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The Company estimates the fair value of each stock option award on the date of grant using a Black-Scholes option-pricing model. ASC 718, “Compensation- Stock Compensation” (“ASC 718”), requires the use of the fair-value-based method for measuring the value of stock-based compensation. The estimated fair value of each grant of stock options awarded during the three and nine months ended September 30, 2022 and 2021 was determined using the following assumptions:

- *Expected Volatility.* The expected volatility is based on the volatility of the historical stock prices of identified peer companies.
- *Expected Term.* Due to the lack of a public market for the trading of shares of the Company’s common stock prior to the Company’s initial public offering that closed on September 25, 2020, and the lack of sufficient Company-specific historical data, the expected term of employee stock options is determined using the “simplified” method, as prescribed in SEC Staff Accounting Bulletin No. 107, whereby the expected life equals the arithmetic average of the vesting term and the original contractual term of the option.
- *Risk-free Interest Rate.* The risk-free interest rate is based on the interest rate payable on the United States Treasury yield curve in effect at the time of grant for a period that is commensurate with the assumed expected term.
- *Dividend Yield.* The dividend yield is 0% because the Company has never paid, and for the foreseeable future does not expect to pay, dividends on its shares of common stock.

The inputs and assumptions used to estimate the fair value of share-based payment awards represent management’s best estimates and involve inherent uncertainties and the application of management’s judgment. As a result, if factors change and management uses different inputs and assumptions, the Company’s share-based compensation expense could be materially different for future awards.

For the nine months ended September 30, 2022 and 2021, the grant-date fair value of stock options was estimated at the time of grant using the following weighted-average inputs and assumptions in the Black-Scholes option pricing model:

	For the Nine Months Ended September 30,	
	2022	2021
Weighted-average expected volatility	52.36 %	52.12 %
Weighted-average expected term (years)	6.25	6.23
Weighted-average expected risk-free interest rate	2.27 %	0.72 %
Dividend yield	—	—
Weighted-average fair value of options granted	\$ 2.79	\$ 20.78

Restricted Stock Units

The following tables summarize the Company’s RSU activity during the nine months ended September 30, 2022 and 2021:

	Number of RSUs	Weighted Average Grant Date Fair Value (per share)	Weighted Average Remaining Vesting Term (years)	Aggregate Fair Value
Balance at January 1, 2022	91,438	\$ 32.91	2.17	\$ 2,982,931
Granted	452,702	4.70		
Exercised/released	(55,634)	20.62		
Cancelled/forfeited	(46,240)	21.63		
Balance at September 30, 2022	442,266	\$ 6.74	2.99	\$ 2,980,838

	Number of RSUs	Weighted Average Grant Date Fair Value (per share)	Weighted Average Remaining Vesting Term (years)	Aggregate Fair Value
Balance at January 1, 2021	57,187	\$ 33.16	2.08	\$ 1,896,221
Granted	88,407	30.33		
Exercised/released	(31,513)	24.44		
Cancelled/forfeited	(18,186)	28.10		
Balance at September 30, 2021	95,895	\$ 34.37	2.37	\$ 3,295,885

The Company estimates the fair value of each restricted stock unit using the fair value of the Company’s stock on the date of grant.

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Market-Based Stock Units

The following tables summarize the Company's market-based stock unit ("MSU") activity during the nine months ended September 30, 2022 and 2021:

	Number of MSUs	Weighted Average Grant Date Fair Value (per share)	Weighted Average Remaining Vesting Term (years)	Aggregate Fair Value
Balance at January 1, 2022	160,301	\$ 43.53	1.20	\$ 6,977,903
Granted	—	—		
Exercised/released	—	—		
Cancelled/forfeited	(129,218)	43.53		
Balance at September 30, 2022	31,083	\$ 43.53	0.73	\$ 1,353,043

	Number of MSUs	Weighted Average Grant Date Fair Value (per share)	Weighted Average Remaining Vesting Term (years)	Aggregate Fair Value
Balance at January 1, 2021	—	\$ —	—	\$ —
Granted	189,608	43.53		
Exercised/released	—	—		
Cancelled/forfeited	(29,307)	43.53		
Balance at September 30, 2021	160,301	\$ 43.53	1.31	\$ 6,977,903

These MSUs vest upon the 30-day weighted average stock price reaching or exceeding established targets, after reaching certain time targets. We estimate the grant-date fair value of the MSUs using a Monte Carlo simulation which requires assumptions for expected volatility, risk-free rate of return and dividend yield. Expected volatilities within the index are derived using historical volatilities of a selected peer group over a period equal to the length of the performance period. We base the risk-free rate of return on the yield of a zero-coupon U.S. Treasury bond with a maturity equal to the performance period and assume a 0% dividend rate. Compensation expense for these MSUs is recognized over the requisite service period regardless of whether the market conditions are satisfied.

Employee Stock Purchase Plan

On September 25, 2020, the Company established an Employee Stock Purchase Plan ("ESPP") which allows employees of the Company to purchase common stock of the Company through accumulated payroll deductions. Offerings under this plan have a duration of six months. On the exercise date, the participant may acquire a maximum of 650 shares per participant, per offering period, at the lower of 85% of the market value of a share of our common stock on the enrollment date or the exercise date. Participants may terminate their interest in a given offering or a given exercise period by withdrawing all of their accumulated payroll deductions at any time prior to the end of the offering period. The fair value of the estimated number of shares to be issued under each offering is determined using a component valuation model. We estimate that 9,174 shares of common stock will be issued in accordance with the plan to those enrollees in the enrollment period commencing on May 1, 2022.

Stock-Based Compensation

Stock-based compensation expense is recognized ratably over the requisite service period for all awards. The following tables summarize the Company's stock-based compensation recorded as a result of applying the provisions of ASC 718 to equity awards:

	Three months ended September 30, 2022	Nine months ended September 30, 2022	Unrecognized compensation cost related to non-vested awards as of September 30, 2022	Weighted-average remaining vesting period as of September 30, 2022 (years)
Stock options	\$ 96,897	283,754	\$ 1,176,040	3.17
RSUs	341,798	1,082,674	2,425,827	2.91
MSUs	43,380	(1,089,864)	107,773	1.34
ESPP	1,351	8,416	—	—
Total stock-based compensation	\$ 483,426	\$ 284,980	\$ 3,709,640	2.94

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	Three months ended September 30, 2021	Nine months ended September 30, 2021	Unrecognized compensation cost related to non-vested awards as of December 31, 2021	Weighted-average remaining vesting period as of September 30, 2021 (years)
Stock options	\$ 191,889	\$ 654,929	\$ 1,638,717	2.21
RSUs	438,542	1,166,871	2,282,174	2.22
MSUs	399,490	1,293,055	1,927,898	2.34
ESPP	12,519	27,662	—	—
Total stock-based compensation	<u>\$ 1,042,440</u>	<u>\$ 3,142,517</u>	<u>\$ 5,848,789</u>	<u>2.26</u>

During the three and nine months ended September 30, 2022, there were forfeitures of MSU awards of certain members of executive leadership of \$0 and \$1,785,125, respectively, representing discrete reversals of stock compensation expense to the periods. There were no such forfeitures of MSUs in the three and nine months ended September 30, 2021.

There were no payroll taxes withheld from stock-based compensation during the three and nine months ended September 30, 2022. During the three and nine months ended September 30, 2021, there were \$1 and \$219,157, respectively, of payroll taxes withheld from stock-based compensation which were remitted directly to the tax authorities on the behalf of the recipients of the awards.

13. Earnings per Share

Basic earnings (loss) per share is determined by dividing net loss attributable to Laird Superfood, Inc. common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is similarly determined, except that the denominator is increased to include the number of additional common shares that would have been outstanding if all dilutive potential common and preferred shares had been issued. Dilutive potential common shares consist of employee stock options and restricted stock units. The dilutive effect of employee stock options and restricted stock units issued by the Company is calculated using the treasury stock method. Because the Company was in a loss position for all periods presented, all stock options and restricted stock units are anti-dilutive and excluded. The computation of basic and diluted earnings (loss) per share is set forth in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	\$ (5,738,209)	\$ (5,351,698)	\$ (24,782,131)	\$ (16,984,461)
Weighted average shares outstanding- basic and diluted	9,178,533	9,001,912	9,136,071	8,954,875
Common stock options, restricted stock awards, and market-based stock awards excluded due to anti-dilutive effect	<u>1,280,712</u>	<u>907,085</u>	<u>1,280,712</u>	<u>907,085</u>
Basic and diluted:				
Net loss per share, basic and diluted	<u>\$ (0.63)</u>	<u>\$ (0.59)</u>	<u>\$ (2.71)</u>	<u>\$ (1.90)</u>

LAIRD SUPERFOOD, INC.
Notes to Unaudited Consolidated Financial Statements

14. Concentrations

The Company had 43% of trade accounts receivable from two customers as of September 30, 2022. The Company had 57% of trade accounts receivable from three customers as of December 31, 2021.

The Company had 29% of accounts payable due to two vendors as of September 30, 2022. The Company had 12% of accounts payable due to one vendor as of December 31, 2021.

The Company sold a substantial portion of products to two customers (21%) for the three months ended September 30, 2022. There were no significant customers for the nine months ended September 30, 2022. As of September 30, 2022, the amount due from these customers was \$1,134,994. The Company sold a substantial portion of products to one customer (19%) and one customer (28%) for the three and nine months ended September 30, 2021, respectively. As of September 30, 2021, the amount due from these customer(s) included in accounts receivable was \$285,342.

The Company purchased a substantial portion of products from three suppliers (68%) and one supplier (48%) for the three and nine months ended September 30, 2022, respectively. The Company purchased a substantial portion of products from one supplier (41%) and one supplier (47%) for the three and nine months ended September 30, 2021, respectively.

In addition, our top suppliers are in a similar geographic area, which increases the risk of significant supply disruptions from local and regional events. Vietnam geographically accounted for approximately 41% and 48% of our total raw materials and packaging purchases for the three and nine months ended September 30, 2022, respectively. Sri Lanka, and Vietnam geographically accounted for approximately 67% and 64% of our total raw materials and packaging purchases for the three and nine months ended September 30, 2021.

15. Related Party

FASB ASC Topic 850, Related Party Disclosures, requires that information about transactions with related parties that would make a difference in decision making shall be disclosed so that users of the financial statements can evaluate their significance. The Company conducts business with suppliers and service providers who are also stockholders of the Company. From time to time, service providers are offered shares of common stock as compensation for their services. Shares provided as compensation are calculated based on the grant date fair value of the service provided. Additional material related party transactions are noted below.

License Agreements

On May 26, 2020, the Company executed a License and Preservation Agreement which superseded the predecessor license and preservation agreement with both Mr. Hamilton and Ms. Reece. Among other modifications, the agreement (i) modified certain approval rights, (ii) modified certain assignment, change of control and indemnification provisions, and (iii) granted the Company the right to extend the term of the agreement for additional ten-year terms upon the expiration of the initial one-hundred-year term. No additional consideration was exchanged in connection with the agreement. See additional discussion related to the 2020 License in Note 1 of the unaudited consolidated financial statements.

Shareholder Contribution

On December 3, 2020, Danone Manifesto Ventures, PBC, one of the Company's largest shareholders, provided the Company \$298,103 in funds for the purpose of supporting three COVID-19 relief projects.

Social Media Marketing Agreements

The Company entered into social media marketing agreements with Lauren Thomas and Stephanie Bruce, former co-owners of Picky Bars, to provide certain marketing services on an annual basis, for \$40,000 each per annum. The Company entered into a social media marketing agreement with Jesse Thomas, former co-owner of Picky Bars, to provide certain marketing services at no cost to the Company.

Recovery of Short-Swing Profits

In the second quarter of 2022, the Company recorded \$28,555 related to the recovery of short-swing profits from one of the Company's directors under Section 16(b) of the Securities Exchange Act of 1934, as amended. The Company recognized these related party proceeds as an increase to additional paid-in capital in the accompanying unaudited consolidated balance sheet as of September 30, 2022 as well as cash proceeds as cash provided by financing activities in the accompanying unaudited consolidated statement of cash flows for nine months ended September 30, 2022.

16. Revenue Recognition

The Company's primary source of revenue is sales of coffee creamers, hydration and beverage enhancing supplements, harvest snacks and other food items, and coffee, tea and hot chocolate products. The Company recognizes revenue when control of the promised good or service is transferred to the customer and in amounts that the Company expects to collect. The timing of revenue recognition takes into consideration the various shipping terms applicable to the Company's sales. Each delivery or shipment made to a third-party customer is considered to satisfy a performance obligation. Performance obligations generally occur at a point in time and are satisfied when control of the goods passes to the customer. The Company is entitled to collection of the sales price under normal credit terms. Additionally, the Company estimates the impact of certain common practices employed by us and other manufacturers of consumer products, such as scan-based trading, product rebate and other pricing allowances, product returns, trade promotions, sales broker commissions and slotting fees. These estimates are recorded at the end of each reporting period.

LAIRD SUPERFOOD, INC.
Notes to Unaudited Consolidated Financial Statements

In accordance with ASC Topic 606, the Company disaggregates net sales from contracts with customers based on the characteristics of the products sold:

Three Months Ended September 30,				
	2022		2021	
	\$	% of Total	\$	% of Total
Coffee creamers	\$ 4,716,650	53 %	\$ 6,489,895	60 %
Hydration and beverage enhancing supplements	1,061,136	12 %	1,541,418	14 %
Harvest snacks and other food items	1,935,812	22 %	1,866,710	17 %
Coffee, tea, and hot chocolate products	1,455,888	16 %	1,724,919	16 %
Other	437,210	5 %	241,489	2 %
Gross sales	9,606,696	108 %	11,864,431	109 %
Shipping income	289,505	3 %	195,085	2 %
Returns and discounts	(1,051,356)	(11)%	(1,193,602)	(11)%
Sales, net	<u>\$ 8,844,845</u>	<u>100 %</u>	<u>\$ 10,865,914</u>	<u>100 %</u>

Nine Months Ended September 30,				
	2022		2021	
	\$	% of Total	\$	% of Total
Coffee creamers	\$ 14,866,032	55 %	\$ 16,590,542	60 %
Hydration and beverage enhancing supplements	3,815,346	14 %	3,907,111	14 %
Harvest snacks and other food items	5,336,043	20 %	3,353,178	12 %
Coffee, tea, and hot chocolate products	4,840,215	18 %	5,286,882	19 %
Other	1,094,924	4 %	987,076	4 %
Gross sales	29,952,560	111 %	30,124,789	109 %
Shipping income	829,107	3 %	261,495	1 %
Returns and discounts	(3,922,803)	(14)%	(2,942,890)	(10)%
Sales, net	<u>\$ 26,858,864</u>	<u>100 %</u>	<u>\$ 27,443,394</u>	<u>100 %</u>

The Company generates revenue through three channels: online, wholesale, and food service:

For the Three Months Ended September 30,				
	2022		2021	
	\$	% of Total	\$	% of Total
Online	\$ 5,808,186	66 %	\$ 6,331,003	58 %
Wholesale	3,004,875	34 %	4,415,867	41 %
Food service	31,784	0 %	119,044	1 %
Sales, net	<u>\$ 8,844,845</u>	<u>100 %</u>	<u>\$ 10,865,914</u>	<u>100 %</u>

For the Nine Months Ended September 30,				
	2022		2021	
	\$	% of Total	\$	% of Total
Online	\$ 16,410,956	61 %	\$ 16,492,512	60 %
Wholesale	10,141,518	38 %	10,529,594	38 %
Food service	306,390	1 %	421,288	2 %
Sales, net	<u>\$ 26,858,864</u>	<u>100 %</u>	<u>\$ 27,443,394</u>	<u>100 %</u>

Contract assets (deferred costs of goods sold associated with deferred revenue), contract liabilities (deferred revenue, customer deposits, rewards programs), and refund liabilities (accrued returns) have been estimated and recorded as of September 30, 2022. Contract assets included in finished goods inventories were \$55,490 and \$8,316 as of September 30, 2022 and December 31, 2021, respectively. Contract liabilities and refund liabilities included in accrued expenses were \$73,977 and \$40,500 as of September 30, 2022 and December 31, 2021, respectively. Receivables from contracts with customers are included in Accounts receivable, net on the Company's consolidated balance sheets. As of September 30, 2022 and December 31, 2021, Accounts receivable, net included, \$1,554,573 and \$1,268,718, respectively, of receivables from contracts with customers.

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

The following discussion and analysis of our financial condition and results of operations is a supplement to and should be read in conjunction with the unaudited consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K for the year ended December 31, 2021. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled "Cautionary Note Regarding Forward-Looking Statements" included elsewhere in this Quarterly Report on Form 10-Q and the section titled "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2021.

Overview

Laird Superfood is an emerging consumer products platform focused on manufacturing and marketing highly differentiated plant-based and functional foods. The core pillars of the Laird Superfood platform are currently Superfood Creamer coffee creamers, Hydrate hydration products and beverage enhancing supplements, Harvest snacks and other food items, and roasted and instant coffees, teas and hot chocolate. Consumer preferences within the evolving food and beverage industry are shifting away from processed and sugar-laden food and beverage products, as well as those containing significant amounts of highly processed and artificial ingredients. Laird Superfood's long-term goal is to build the first scale-level and widely recognized brand that authentically focuses on natural ingredients, nutritional density and functionality, allowing the Company to maximize penetration of a multi-billion-dollar opportunity in the grocery market.

Net sales decreased to \$8.8 million for the three months ended September 30, 2022 from \$10.9 million for the three months ended September 30, 2021. Net sales decreased to \$26.9 million for the nine months ended September 30, 2022, from \$27.4 million for the nine months ended September 30, 2021. The decline was primarily in our club and online direct to consumer ("DTC") channels as we significantly reduced inefficient marketing spend. We continue to optimize our marketing investment by cutting out inefficient spend and spending less on direct media for the DTC channel compared to the prior year. Lower media spend resulted in significant reduction of new customer orders in the quarter. Additionally, online segment sales were impacted by price increases implemented at the end of the second quarter and cancellation of free shipping due to inflationary concerns. Declines in DTC were in part offset by substantial growth on *Amazon.com*, reflecting a momentum driven by changes we have made with regard to our approach to this channel. Our wholesale channel sales, excluding club, were challenged by distributor to retailer fulfillment issues resulting in out of stocks on shelves. We are actively addressing these issues in partnering up with brokers and retailers.

Our omnichannel distribution strategy has three key components: online, wholesale and food service. In aggregate, this omnichannel strategy provides us with a diverse set of customers and wholesale partners, along with an opportunity to develop a direct relationship with our customers at *lairdsuperfood.com* and *pickybars.com*. We believe that, along with trusted brand names, extensive proprietary distribution is a critical long-term and sustainable barrier to entry in the food industry.

Our online business is two pronged and consists of direct-to-consumer sales (*lairdsuperfood.com* and *pickybars.com*) and *Amazon.com*. For the three months ended September 30, 2022 and 2021, the online business made up 66% and 58% of our net sales, respectively. For the nine months ended September 30, 2022 and 2021, the online business made up 61% and 60% of our net sales, respectively. *Lairdsuperfood.com* is a platform that provides an authentic brand experience for our customers that drives engagement and provides feedback for future product development. We view our growing proprietary database of customers ordering directly from our website as a strategic asset, as it enhances our ability to develop a long-term relationship with these customers. Content on our websites allows Laird Superfood to educate consumers on the benefits of our products and ingredients, while providing a positive customer experience. We believe this experience leads to higher retention rates among repeat users and subscribers, as evidenced by repeat users and subscribers accounting for approximately three-fourths of direct-to-consumer sales for the three and nine months ended September 30, 2022.

Our wholesale business addresses the \$766 billion grocery industry, specifically the \$281 billion Natural, Organic and Functional Foods and Beverages sub-segment, which has been increasing its proportion of the grocery industry, as well as many non-grocery retail channels. For the three and nine months ended September 30, 2022, wholesale made up 34% and 38% of our net sales, respectively. For the three and nine months ended September 30, 2021, wholesale made up 41% and 38% of our net sales, respectively. Laird Superfood products are sold through a diverse set of retail channels, including conventional, natural and specialty grocery, club, outdoor and drug stores. We currently estimate our products are in approximately 5,000 retail door locations with over 26,000 points of distribution and we believe the long-term potential store base exceeds 20,000 retail locations in the United States. The diversity of our retail channel represents a strong competitive advantage for Laird Superfood and provides us with a larger total addressable market than would be considered normal for a food brand that is singularly focused on the grocery market.

Recent Developments

Entry into Co-Packer Agreement

As part of the plan, the Company will close its production facilities in Sisters, Oregon and reduce headcount by approximately 46 employees, which represents approximately 55% of its total employees. The Company expects to recognize approximately \$0.5 million of restructuring charges consisting of severance and other employee-related costs. Other costs associated with building and lease exit costs, any impairments of assets, and other related restructuring and exit costs are still being evaluated. The Company expects substantially all charges associated with the workforce reduction to be incurred during the quarter ending December 31, 2022, with related cash payments expected to be substantially paid out by the end of the first quarter of 2023.

Executive Transitions

Effective January 31, 2022, the Company's Board of Directors appointed Jason Vieth as the Company's President and Chief Executive Officer and elected Mr. Vieth as a director of the Company. Mr. Vieth joined the Company from Sovos Brands, Inc., where he most recently served as executive vice president and group general manager of the Breakfast and Snacks segment. Before joining Sovos Brands in January 2020, Mr. Vieth served as chief executive officer of Poppi, a producer of prebiotic soda, from April 2019 to January 2020 and president of Life Time Fitness' Life Cafe from April 2017 to April 2019 and held various management positions for WhiteWave Foods Company from January 2008 to April 2017. Mr. Vieth replaced Paul Hodge, who stepped down as President and Chief Executive Officer and a director of the Company upon Mr. Vieth's appointment.

On April 1, 2022, Andrew Judd was appointed as Chief Commercial Officer, responsible for the commercial strategy and the development of the Company. Mr. Judd oversees marketing, sales, product development, and customer experience to drive business growth and expand market share. Mr. Judd is an experienced marketing leader focused on building exceptional teams and go-to-market models that build brands and businesses. He has led teams across brand marketing, insights, and creative services from large strategic CPG enterprises to emerging high-growth brands. Most recently, he was CMO of Yasso. Before that he served as CMO of ONE Brands and VP Marketing for the Boulder Brands business unit of Pinnacle Foods. Previous roles included leading the management of the So Delicious brand at WhiteWave, Category Director for ice cream, iced coffee, blended beverages and value-added milk portfolio at Saputo Dairy Foods, and various roles at Campbell Soup Company.

On May 17, 2022, the Company's Board of Directors appointed Anya Kochetova Hamill as the Company's interim Chief Financial Officer, effective July 1, 2022. Ms. Hamill possesses more than 20 years of strategic finance experience in both public consumer packaged goods and private equity backed emerging companies in the natural foods and beverages space. Ms. Hamill joined the Company as Vice President, Financial Planning and Analysis in April 2022 from Little Secrets Chocolate, where she served as chief financial officer from September 2018. Previously, Ms. Hamill served as the senior director of finance, premium yogurt at Danone North America from May 2017 through March 2018, and as senior director of finance, plant based beverage and food and various other finance positions at WhiteWave Foods from March 2003 through May 2017. Ms. Hamill holds an MBA with a finance concentration from Leeds School of Business at the University of Colorado and a Bachelor of Arts from Saint-Petersburg State University of Engineering and Economics.

Key Factors Affecting our Performance

We believe that our future performance will depend on many factors, including the following:

Ability to Grow Our Customer Base in both Online and Traditional Wholesale Distribution Channels

We are currently seeking to grow our customer base through both paid and organic online channels, as well as by expanding our presence in a variety of physical retail distribution channels. Online customer acquisitions typically occur at our direct websites, *lairdsuperfood.com* and *pickybars.com*, and *Amazon.com*. Our online customer acquisition program includes paid and unpaid social media, search, display and traditional media. Our products are also sold through a growing number of physical retail channels. Wholesale customers include grocery chains, natural food outlets, club stores, and drug stores, and food service customers include coffee shops, gyms, restaurants, hospitality venues and corporate dining services, among others. Customer acquisition in physical retail channels depends on, among other things, paid promotions through retailers, display and traditional media.

Ability to Acquire and Retain Customers at a Reasonable Cost

We believe an ability to consistently acquire and retain customers at a reasonable cost relative to projected life-time value will be a key factor affecting future performance. To accomplish this goal, we intend to balance advertising spend between online and offline channels, as well as balancing more targeted and measurable "direct response" marketing spend with advertising focused on increasing our long-term brand recognition, where success attribution is less directly measurable on a near-term basis.

Ability to Drive Repeat Usage of Our Products

We accrue substantial economic value from repeat users of our products who consistently re-order our products. The pace of our growth will be affected by the repeat usage dynamics of existing and newly acquired customers.

Ability to Expand Our Product Line

Our goal is to expand our product line over time to increase our growth opportunity and reduce product-specific risks through diversification into multiple products, each designed around daily use. Our pace of growth will be partially affected by the cadence and magnitude of new product launches over time.

Ability to Expand Gross Margins

Our overall profitability will be impacted by our ability to expand gross margins through effective sourcing of raw materials, controlling labor and shipping costs, controlling the impacts of inflationary market factors, as well as managing co-packer relationships.

Ability to Expand Operating Margins

Our ability to expand operating margins will be impacted by our ability to cover fixed general and administrative costs and variable sales and marketing costs with higher revenues and gross profit dollars.

Ability to Manage Our Global Supply Chain

Our ability to grow and meet future demand will be affected by our ability to properly plan for and source inventory from a variety of suppliers located inside and outside the United States. We may encounter difficulties in sourcing products.

Ability to Optimize Key Components of Working Capital

Our ability to reduce cash burn in the near-term and eventually generate positive cash flow will be partially impacted by our ability to effectively manage all the key working capital components that could influence our cash conversion cycle.

Components of Results of Operations

Sales, net

We sell our products indirectly to consumers through a broad set of physical wholesale channels. We also derive revenue from the sale of our products directly to consumers through our direct websites, as well as third-party online channels.

Cost of Goods Sold

Our cost of goods sold consists primarily of raw material costs, labor costs directly related to producing our products, including wages and benefits, shipping costs, lease expenses and other factory overhead costs related to various aspects of production, warehousing and shipping.

Operating Expenses

Our operating expenses consist of general and administrative, research and product development, and sales and marketing expenses.

Income Taxes

Due to our history of operating losses and expectation of future operating losses, we do not expect any significant income tax expenses and benefits for the foreseeable future.

Results of Operations

Comparison of the three months ended September 30, 2022 ("Q3 2022") and September 30, 2021 ("Q3 2021")

The following table summarizes our results of operations for the periods indicated:

	Three Months Ended September 30,			
	2022	2021	Change	Change
Sales, net	\$ 8,844,845	\$ 10,865,914	\$ (2,021,069)	(19)%
Cost of goods sold	(6,773,029)	(7,667,075)	894,046	(12)%
Gross profit	2,071,816	3,198,839	(1,127,023)	(35)%
Gross margin	23.4%	29.4%		
General and administrative	4,383,868	4,254,124	129,744	3%
Research and product development	115,077	242,604	(127,527)	(53)%
Sales and marketing	3,390,857	4,014,753	(623,896)	(16)%
Total expenses	7,889,802	8,511,481	(621,679)	(7)%
Operating loss	(5,817,986)	(5,312,642)	(505,344)	10%
Total other income (expense)	79,777	10,721	69,056	644%
Loss before income taxes	(5,738,209)	(5,301,921)	(436,288)	8%
Income tax expense	—	(49,777)	49,777	(100)%
Net loss	\$ (5,738,209)	\$ (5,351,698)	\$ (386,511)	7%

Sales, Net

	Three Months Ended September 30,			
	2022	2021	\$	%
Sales, net	\$ 8,844,845	\$ 10,865,914	\$ (2,021,069)	(19)%

Net sales decreased to \$8.8 million in Q3 2022 from \$10.9 million in Q3 2021. The decline was primarily due to lower volume in club and DTC sales due to reduced marketing spend, the price increase implemented at the end of second quarter, and removal of free shipping for orders under \$40 (forty) dollars.

Cost of Goods Sold

	Three Months Ended September 30,			
	2022	2021	\$	%
Costs of goods sold	\$ (6,773,029)	\$ (7,667,075)	\$ 894,046	(12)%

Cost of goods sold decreased to \$6.8 million in Q3 2022 from \$7.7 million in Q3 2021, primarily due to decreased sales volume and a decrease in labor costs that resulted from gained efficiencies and restructuring of our internal supply chain organization. This was offset in part by inflationary pressures on ocean freight, inbound and outbound shipping and energy costs.

Gross Profit

	Three Months Ended September 30,			
	2022	2021	\$	%
Gross Profit	\$ 2,071,816	\$ 3,198,839	\$ (1,127,023)	(35)%

Gross profit decreased to \$2.1 million in Q3 2022 from \$3.2 million in Q3 2021. Gross margin was 23.4% in Q3 2022 compared to 29.4% in Q3 2021. The margin decrease was driven primarily by deleverage of fixed manufacturing costs on lower production volume as we focused on optimizing inventory balances this year. Higher costs of inbound shipping and outbound freight also contributed to margin erosion in the quarter. This was partially offset by lower labor costs resulting from rightsizing of the organization in 2022.

Operating Expenses

	Three Months Ended September 30,			
	2022	2021	\$	%
Operating Expenses				
General and Administrative	\$ 4,383,868	\$ 4,254,124	\$ 129,744	3%
Research and Product Development	115,077	242,604	(127,527)	(53)%
Sales and Marketing	3,390,857	4,014,753	(623,896)	(16)%
Total Operating Expenses	\$ 7,889,802	\$ 8,511,481	\$ (621,679)	(7)%

General and administrative expense was flat, with a slight increase to \$4.4 million in Q3 2022 from \$4.3 million in Q3 2021, driven by lower personnel costs, related to executive departures earlier this year, offset by increased professional fees and other administrative spend related to one time costs to exit contracts.

Research and product development expense decreased to \$0.1 million in Q3 2022 from \$0.2 million in Q3 2021 as we continue to focus on strengthening the performance of current product offerings in 2022 rather than the rapid product development strategy in 2021 and prior.

Sales and marketing expense decreased to \$3.4 million in Q3 2022 from \$4.0 million in Q3 2021, primarily due to reduced advertising expense and personnel costs.

Other Income

	Three Months Ended September 30,			
	2022	2021	\$	%
Other income	\$ 79,777	\$ 10,721	\$ 69,056	644%

Other income is composed of interest and dividend income and sublease rental income. Other income increased to \$79.8 thousand of income in Q3 2022 from \$10.7 thousand of income in Q3 2021, primarily due to the sublease agreement entered into in Q2 2022 and income on money market accounts elevated by the increases in interest rates.

Comparison of the nine months ended September 30, 2022 (“YTD 2022”) and September 30, 2021 (“YTD 2021”)

The following table summarizes our results of operations for the periods indicated:

	Nine Months Ended September 30,		\$	%
	2022	2021	Change	Change
Sales, net	\$ 26,858,864	\$ 27,443,394	\$ (584,530)	(2)%
Cost of goods sold	(21,259,300)	(20,225,269)	(1,034,031)	5%
Gross profit	5,599,564	7,218,125	(1,618,561)	(22)%
Gross margin	20.8%	26.3%		
General and administrative	18,848,037	12,060,429	6,787,608	56%
Research and product development	335,377	858,143	(522,766)	(61)%
Sales and marketing	11,115,499	11,233,765	(118,266)	(1)%
Total expenses	30,298,913	24,152,337	6,146,576	25%
Operating loss	(24,699,349)	(16,934,212)	(7,765,137)	46%
Total other income (expense)	(77,008)	36,246	(113,254)	(312)%
Loss before income taxes	(24,776,357)	(16,897,966)	(7,878,391)	47%
Income tax expense	(5,774)	(86,495)	80,721	(93)%
Net loss	\$ (24,782,131)	\$ (16,984,461)	\$ (7,797,670)	46%

Sales, Net

	Nine Months Ended September 30,		2022 v. 2021 Change	
	2022	2021	\$	%
Sales, net	\$ 26,858,864	\$ 27,443,394	\$ (584,530)	(2)%

Net sales decreased to \$26.9 million in YTD 2022 from \$27.4 million in YTD 2021. The decline was primarily due to lower sales in our direct to consumer channel driven by significantly lower dedicated media spend and elevated discounts, as well as lower club sales. This was offset by double digits growth in Amazon.com sales and new distribution gains in wholesale channel as well as acquisition of Picky Bars in Q2 2021.

Cost of Goods Sold

	Nine Months Ended September 30,		2022 v. 2021 Change	
	2022	2021	\$	%
Costs of goods sold	\$ (21,259,300)	\$ (20,225,269)	\$ (1,034,031)	5%

Cost of goods sold increased to \$21.3 million in YTD 2022 from \$20.2 million in YTD 2021, primarily due to inflationary pressures in costs of raw materials and packaging inbound and outbound freight expenses offset in part by decrease in labor costs due to gained efficiencies and organizational rightsizing.

Gross Profit

	Nine Months Ended September 30,		2022 v. 2021 Change	
	2022	2021	\$	%
Gross Profit	\$ 5,599,564	\$ 7,218,125	\$ (1,618,561)	(22)%

Gross profit decreased to \$5.6 million in YTD 2022 from \$7.2 million in YTD 2021. Gross margin was 20.8% in YTD 2022 compared to 26.3% in YTD 2021. The margin decrease is driven by elevated promotional activity, and general inflationary pressures on raw materials, packaging and freight combined with fixed costs deleverage on lower production volumes this year as compared to prior year as we focused on optimizing inventory levels to improve working capital turns. This was partially offset by lower labor costs resulting from rightsizing of the organization in 2022.

Operating Expenses

	Nine Months Ended September 30,		2022 v. 2021 Change	
	2022	2021	\$	%
Operating Expenses				
General and Administrative	\$ 18,848,037	\$ 12,060,429	\$ 6,787,608	56 %
Research and Product Development	335,377	858,143	(522,766)	(61) %
Sales and Marketing	11,115,499	11,233,765	(118,266)	(1) %
Total Operating Expenses	\$ 30,298,913	\$ 24,152,337	\$ 6,146,576	25 %

General and administrative expense increased to \$18.8 million in YTD 2022 from \$12.1 million in YTD 2021, primarily due to impairment of goodwill and intangible assets recorded in YTD 2022 of \$6.5 million and \$1.5 million, respectively. See Note 9 to our unaudited consolidated financial statements included elsewhere in this Form 10-Q for more information. Excluding, cost of impairment of goodwill and intangible assets, general and administrative expenses decreased by \$1.3 million driven primarily by reduced personnel costs including stock-based compensation.

Research and product development expense decreased to \$0.3 million in YTD 2022 from \$0.9 million in YTD 2021, as we continue to focus on strengthening the performance of current product offerings in 2022 rather than the rapid product development strategy in 2021 and prior.

Sales and marketing expense decreased to \$11.1 million in YTD 2022 from \$11.2 million in YTD 2021, primarily due to advertising expense and marketing fees.

Other Income (Expense)

	Nine Months Ended September 30,		2022 v. 2021 Change	
	2022	2021	\$	%
Other income (expense)	\$ (77,008)	\$ 36,246	\$ (113,254)	(312) %

Other income (expense) is composed of interest income, rental income, income and losses related to investment securities available-for-sale, and other non-operating gains and losses. Other income (expense) decreased to \$(77.0) thousand of expense in YTD 2022 from \$36.2 thousand of income in YTD 2021, primarily due to the realized losses on the sale of available for sale securities in Q1 2022.

Liquidity and Capital Resources

As of September 30, 2022, we had incurred accumulated net losses of \$80.6 million, including operating losses of \$24.7 million and \$16.9 million for YTD 2022 and YTD 2021, respectively. We expect to incur additional operating losses as we continue efforts to grow our business, however we have enacted strategic rightsizings of the organization throughout 2022 and will continue to seek to optimize spending and gross margins. We have historically financed our operations and capital expenditures through private placements of our preferred stock and common stock, our initial public offering, as well as lines of credit and term loans.

Our historical uses of cash have primarily consisted of cash used in operating activities to fund our operating losses and working capital needs.

As of September 30, 2022, we had \$21.0 million of cash-on-hand and \$5.0 million of available borrowings under our lines of credit. As of December 31, 2021, we had \$31.7 million of cash-on-hand and investments and \$19.7 million of available borrowings under our lines of credit. As of September 30, 2022, and December 31, 2021, we had no outstanding notes payable and no amounts were outstanding under our lines of credit.

Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to support research and development efforts, the continued expansion of sales and marketing activities, the enhancement of our product platforms, the introduction of new products and acquisition activity. Recent and expected working and other capital requirements, in addition to the above matters, also include the items described below:

- Cash outflows for capital expenditures were \$1.1 million in YTD 2022 and \$1.0 million in YTD 2021. The increase was to support the increase in our manufacturing and production capacity needs. The majority of capital expenditures for YTD 2022 occurred in Q1 2022 and we do not expect to incur significant capital expenditures in the near future.
- The Company has lease arrangements for certain equipment and facilities, including corporate and manufacturing space. As of September 30, 2022, the Company had fixed lease payment obligations of \$4.9 million, with \$0.7 million payable within 12 months.
- As of September 30, 2022, \$4.9 million of current liabilities were accrued related to short term operating activities and personnel costs.
- Advertising and marketing expenditures were \$8.2 million in YTD 2022 and \$8.4 million in YTD 2021. We expect to continue to invest in these activities as part of the strategic expansion of sales volume, however, we have made strategic shifts to reduce and improve the efficacy of future customer acquisition costs.

We expect to continue to incur operating losses for the foreseeable future and may require additional capital resources to continue to grow our business. We believe our cash, cash equivalents, our expected cash flow generated from operations and our expected financing activities will satisfy our working and other capital requirements for the next 12 months and beyond based on our current business plans.

Cash Flows**Comparison of the nine months ended September 30, 2022 and 2021:**

The following table shows a summary of our cash flows for the periods presented:

	For the Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities	\$ (11,133,377)	\$ (14,242,999)
Cash flows from investing activities	8,981,156	(12,092,290)
Cash flows from financing activities	121,090	184,747
Net change in cash	<u>\$ (2,031,131)</u>	<u>\$ (26,150,542)</u>

Cash Flows from Operating Activities

Cash used in operating activities was \$11.1 million for YTD 2022 as compared to \$14.2 million used in YTD 2021. The improvement in cash burn is driven by decreasing inventory levels, prepaid expenses, and lower general and administrative spend.

Cash Flows from Investing Activities

Cash provided by investing activities was \$9.0 million for YTD 2022 as compared to cash used in investing activities of \$12.1 million for YTD 2021. The change is primarily due to proceeds from the sale of available-for-sale securities in YTD 2022 and cash used in the acquisition of Picky Bars in YTD 2021.

Cash Flows from Financing Activities

Cash provided by financing activities was \$121 thousand and \$185 thousand for YTD 2022 and YTD 2021, respectively, primarily related to inflows from stock option exercises.

Segment Information

We have one operating segment and one reportable segment. Our Chief Executive Officer reviews financial information on an aggregate basis for purposes of allocating resources and evaluating financial performance.

Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles and the Company's discussion and analysis of its financial condition and operating results require the Company's management to make judgments, assumptions and estimates that affect the amounts reported. Note 1, "Summary of Significant Accounting Policies" of the Notes to condensed consolidated Financial Statements in Part I, Item 1 of this Form 10-Q and in the Notes to Consolidated Financial Statements in Part II, Item 8 of the 2021 Form 10-K describe the significant accounting policies and methods used in the preparation of the Company's condensed consolidated financial statements. There have been no material changes to the Company's critical accounting estimates since the 2021 Form 10-K.

Recent Accounting Pronouncements

See *Recently Issued Accounting Pronouncements* in Note 1 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

Emerging Growth Company Status

As a company with less than \$1.235 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart our Business Startups Act of 2012 (the "JOBS Act"). An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. These provisions include:

- a requirement to have only two years of audited financial statements and only two years of related Management's Discussion and Analysis of Financial Condition and Results of Operations;
- an exemption from the auditor attestation requirement on the effectiveness of our internal control over financial reporting;
- reduced disclosure about our executive compensation arrangements; and
- no non-binding advisory votes on executive compensation or golden parachute arrangements.

We may take advantage of these provisions until the end of the fiscal year in which the fifth anniversary of our IPO occurs, or such earlier time when we no longer qualify as an emerging growth company. We would cease to be an emerging growth company on the earlier of (1) the last day of the fiscal year (a) in which we have more than \$1.235 billion in annual revenue or (b) in which we have more than \$700 million in market value of our capital stock held by non-affiliates, or (2) the date on which we issue more than \$1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some but not all these reduced burdens.

In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of this exemption from new or revised accounting standards, and therefore we will not be subject to the same requirements to adopt new or revised accounting standards as other public companies that are not emerging growth companies.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

As a smaller reporting company, we are not required to provide this information in our Quarterly Reports.

Item 4. Controls and Procedures.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to Company management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), to allow timely decisions regarding required disclosure.

Our management, with the participation of our CEO and CFO, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2022, the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our CEO and CFO concluded that the Company's disclosure controls and procedures were not effective as of September 30, 2022, due to the material weakness in internal control over financial reporting described below.

Material Weakness in Internal Control Over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. In connection with the preparation of financial statements for the three months ended March 31, 2022, our management identified a material weakness in the Company's internal control over financial reporting, relating to a miscalculation of basic and diluted net loss per share caused by a formula error. Our independent registered public accounting firm identified this error, and the error was corrected by management. We believe our failure to identify this error resulted from a material weakness related to ineffective operation of management review controls related to financial reporting due to staffing constraints. The issue was corrected prior to the filing of the quarterly report on the Form 10-Q for the period ended March 31, 2022.

Remediation Measures

With the oversight of senior management and our audit committee, we have taken steps to take additional measures to remediate the underlying causes of the identified material weakness, primarily through the hiring of additional accounting and finance resources; the development and implementation of additional formal, documented policies and procedures; and improved processes and management review control activities.

Given the routine nature of the error that gave rise to the material weakness in the first quarter of 2022, we believe the actions described above will be sufficient to remediate the identified material weakness and strengthen our internal control over financial reporting. However, the new and enhanced controls have not operated for a sufficient amount of time to conclude that the material weakness has been remediated. We will continue to monitor the operating effectiveness of these controls and will make any further changes management determines appropriate.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended of September 30, 2022, aside from those described above, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings.

We are not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations.

Item 1A. Risk Factors.

There have been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Effective November 4, 2022, the Company entered into an employment agreement (the “Employment Agreement”) with Anya Hamill, who served as interim Chief Financial Officer since May 2022 and now serves as permanent Chief Financial Officer. The Employment Agreement provides for the following benefits, among other provisions:

- an annual base salary of \$275,000;
- an annual bonus opportunity of up to 100% of base salary based on the achievement of performance goals, with a target payout of 50% of base salary;
- restricted stock units relating to 50,000 shares of common stock, vesting over four years;
- stock options to purchase 50,000 shares of common stock with an exercise price equal to the grant date fair value of the Company’s common stock, vesting over four years; and
- a payment equal to 12 months base salary and COBRA coverage for up to 12 months if Ms. Hamill resigns for good reason or the Company terminates Ms. Hamill’s employment without cause, and, if such resignation or termination occurs within two years following a change in control (as defined in the Employment Agreement), the vesting of all of Ms. Hamill’s equity awards.

Ms. Hamill will also be eligible to participate in the Company’s equity incentive plans and long-term incentive plans and other benefits available to the Company’s executive officers.

The foregoing descriptions of the Employment Agreement does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Employment Agreement, a copy of which is attached to this Quarterly Report on Form 10-Q as Exhibit 10.4 and incorporated herein by reference.

On November 7, 2022, the Board of Directors terminated the Company’s 2020 Employee Stock Purchase Plan, which allowed employees to purchase shares of the Company’s common stock through accumulated payroll deductions.

Item 6. Exhibits.

The documents set forth below are filed herewith or incorporated herein by reference to the location indicated.

Exhibit Number	Description	Incorporated by Reference				Filed / Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of Laird Superfood, Inc.	8-K	001-39537	3.1	9/25/2020	
3.2	Amended and Restated Bylaws of Laird Superfood, Inc.	8-K	001-39537	3.2	9/25/2020	
10.1	First Amendment to Credit Agreement, dated September 1, 2022, by and between the Company and Wells Fargo Bank, National Association.	8-K	001-39537	10.1	9/1/2022	
10.4	Executive Compensation Agreement, dated November 4, 2022, by and between the Company and Anya K. Hamill.					*
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a).					*
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a).					*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.					**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.					**
101.INS	Inline XBRL Instance Document					*
101.SCH	Inline XBRL Taxonomy Extension Schema Document					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					*
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)					

* Filed herewith.

** The certifications attached as Exhibit 32.1 and 32.2 are not deemed filed with the SEC and are not incorporated by reference into any of the Company's filings 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 this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 10, 2022	Laird Superfood, Inc. (Registrant) _____ /s/ Jason Vieth Jason Vieth President and Chief Executive Officer
Date: November 10, 2022	 _____ /s/ Anya Hamill Anya Hamill Chief Financial Officer

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is effective as of November 4, 2022 (defined below), by and between Anna K. Hamill (the "Executive") and Laird Superfood, Inc., a Delaware corporation (the "Company").

WHEREAS, the Company and the Executive desire to enter into this Agreement in order to set forth the terms and conditions of the Executive's employment with the Company.

NOW, THEREFORE, in consideration of the mutual agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Executive and the Company hereby agree as follows:

1. EMPLOYMENT; SERVICE ON BOARD AND OTHER POSITIONS.

(a) Employment. The Company hereby employs the Executive and the Executive hereby accepts employment as the Chief Financial Officer of the Company. The Executive shall have all the duties, responsibilities, and authority attendant to this position and shall render services consistent with such position on the terms set forth herein and shall report to Jason Vieth, CEO (the "Supervisor"). In addition, the Executive shall have such other executive and managerial powers and duties with respect to the Company as may be assigned to the Executive by the Supervisor. The Executive agrees to devote all of the Executive's working time and best efforts to the business and affairs of the Company, subject to reasonable periods of vacation and other leave to which the Executive is entitled and shall not engage in activities that substantially interfere with such performance.

2. TERM OF AGREEMENT. The term of this Agreement shall commence as of November 4, 2022 (the "Effective Date") and shall continue until terminated pursuant to Section 6. The Executive's period of employment under this Agreement shall be referred to as the "Employment Period."

3. LOCATION. The Executive's place of employment shall be Boulder, Colorado. The Executive shall engage in reasonable travel to locations on Company business consistent with the Executive's position.

4. COMPENSATION.

(b) Base Salary. During the Employment Period, the Company shall pay the Executive a base salary ("Base Salary") at an initial annualized rate of \$275,000 per year, payable in accordance with the Company's regular payroll practices relating to salaried employees. The Supervisor may review the Base Salary from year to year and may approve an increase in the Base Salary as the Supervisor deems appropriate.

(c) Performance Bonus. Executive shall be entitled to earn an annual bonus with respect to each calendar year, based on the Executive's and the Company's achievement of performance objectives set by the Supervisor in its discretion, with a target bonus of 50% of Executive's Base Salary for each such year, and a maximum bonus of 100% of Executive's Base Salary. The extent to which the objectives have been achieved will be determined by the Supervisor in its discretion, and any earned bonus shall be paid annually by March 15 of the year following the end of the year to which such bonus relates. The Executive is not entitled to receive a bonus, and shall not have earned such bonus, unless the Executive is employed on the payment date of the bonus.

(d) Equity Compensation. The Executive will be eligible to receive equity awards under the Company's 2020 Omnibus Incentive Plan, as may be amended from time to time, or any successor to such plan, and to participate in any future long-term incentive programs made generally available to the Company's executives as determined by the Board of Directors of the Company. As

an inducement to accept employment as Chief Financial Officer with the Company, at the Effective Date, the Executive will receive (such equity awards collectively, the "Inducement Grants");

- (i) restricted stock units relating to 50,000 shares of common stock, which shall vest ratably over a four-year period, commencing the Effective Date, on an annual basis subject to the Executive's continued employment with the Company;
- (ii) stock options to purchase 50,000 shares of common stock, which shall vest ratably over a four-year period, commencing the Effective Date, on an annual basis subject to the Executive's continued employment with the Company.

5. FRINGE BENEFITS.

(a) General. During the Employment Period, the Executive shall be eligible to participate in or receive benefits under any employee benefit plan or arrangement (e.g., health insurance) made available by the Company, to the extent and in accordance with the terms and conditions of those plans or arrangements as they may exist from time to time.

(b) Paid Time Off. During the Employment Period, the Executive shall be entitled to take paid time off and sick leave in accordance with the Company's standard employment policies, as they may exist and be amended from time to time.

(a) Business Expenses. During the Employment Period, the Company shall promptly reimburse the Executive for all reasonable expenses incurred by the Executive in the performance of the Executive's duties under this Agreement, including all reasonable travel expenses and business meals, provided that such expenses are incurred and accounted for in accordance with the Company's policies and procedures, as they may exist from time to time.

6. TERMINATION.

(a) Permitted Terminations. The Executive's employment during the Employment Period may be terminated by the Company or the Executive immediately for any reason, with or without notice, including the following:

(i) Death. The Executive's employment shall terminate automatically upon the Executive's death without any further notice or action required by the Company or the Executive's legal representatives.

(ii) By the Company. The Company may terminate the Executive's employment in the following circumstances:

(A) Disability. The Company may terminate the Executive's employment for Disability. "Disability" means the Executive's substantial inability (including by virtue of physical or mental illness, injury, disability, or other incapacity) to perform the essential functions of the Executive's position (with or without reasonable accommodation, as required by law for the Executive) for a period of ninety (90) consecutive days or more than one hundred twenty (120) days in any twelve (12)-month period; provided that until such termination, the Executive shall continue to receive the Executive's compensation and benefits hereunder, reduced by benefits payable, if any, under any disability insurance policy or plan. If there is a dispute as to the existence of

Disability, the Executive's Disability will be established if a qualified medical doctor selected by the parties so certifies in writing. If the parties are unable to agree on the selection of such a doctor, each party will designate a qualified medical doctor who together will select a third doctor who will make the determination. The Executive will be available for an examination by a doctor selected in accordance with this paragraph, which examination will be paid by the Company. The written medical opinion of the doctor shall be binding upon the parties as to whether a Disability exists and the date such Disability arose. The foregoing shall be interpreted and applied so as to comply with the provisions of the Americans with Disabilities Act (to the extent that it is applicable) and any applicable state or local laws.

(B) Cause. The Company may immediately terminate the Executive's employment hereunder for Cause (subject to any cure periods described below). For purposes of this Agreement "Cause" shall mean the Executive's: (1) material failure to observe and comply with any of the Company's material written policies, including without limitation its policies prohibiting harassment (sexual or otherwise) and discrimination; (2) continued failure to substantially perform the Executive's material duties with the Company, which is not cured within thirty (30) calendar days after receipt by the Executive of written notice of such failure; (3) willful failure to carry out, or comply with, in any material respect any lawful and reasonable written directive of the Supervisor; (4) commission of any act or omission that results in, or that may reasonably be expected to result in, a conviction, plea of no contest or imposition of unadjudicated probation for any felony or any crime involving moral turpitude; (5) commission of any act of dishonesty, illegal conduct, unethical conduct, fraud, embezzlement, misappropriation, material misconduct, breach of fiduciary duty, or other act of moral turpitude in connection with the Executive's employment or which is or which is reasonably expected to be materially injurious to the Company or its Affiliates (defined below); (6) material or willful breach of this Agreement; or (7) at any time engaging in any form of willful misconduct or any other action or omission that is damaging to the Company or its Affiliates (defined below) or their respective reputations, products, services or customers.

(C) Without Cause. The Company may immediately terminate the Executive's employment hereunder for a reason other than Cause or Disability.

(iii) By the Executive. The Executive shall have the right to terminate the Executive's employment in the following circumstances:

(A) Good Reason. The Executive shall have the right to terminate the Executive's employment hereunder at any time for Good Reason (subject to any notice and cure periods described below). For purposes of this Agreement, "Good Reason" shall mean that any of the following has occurred without the Executive's consent: (1) a material diminution in the Executive's Base Salary; (2) a material diminution in the Executive's job title, duties, responsibilities, or authority (other than changes made due to the Executive's incapacity); or (3) the relocation of the Executive's primary office location to a location outside a 35-mile radius from the location set forth in Section 3. To terminate the Executive's employment for Good Reason, (x) the Executive must provide written notice to the Supervisor within sixty (60) days of the first occurrence of any such matter constituting Good Reason, (y) the Company shall have forty-five (45) days after receipt of written notice from the Executive specifying the matter constituting Good Reason within which to cure such matter, and such Good Reason shall not exist unless the Company fails to cure such matter within such cure period, and (z) the Executive must actually terminate the Executive's employment within thirty (30) days following the expiration of such cure period.

(B) Without Good Reason. The Executive shall have the right to immediately terminate the Executive's employment for a reason other than Good Reason.

(b) Notice of Termination. Any purported termination of the Executive's employment by the Company or the Executive during the Employment Period shall be communicated by a written Notice of Termination to the other party hereto in accordance with Section 13. A "Notice of Termination" means a written notice that indicates the specific termination provision in this Agreement relied upon.

(c) Date of Termination. "Date of Termination" shall mean:

(i) if the Executive's employment is terminated because of death, the date of the Executive's death; and

(ii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination; provided, however, that the date specified in the Notice of Termination shall not be a date prior to the date such Notice of Termination is given or the expiration of any required notice or cure period.

(d) Accrued and Unpaid Benefits Upon Termination. Following the termination of the Executive's employment for any reason during the Employment Period, the Executive (or the Executive's legal representative or estate if termination is because of death) shall receive:

(i) any earned, but unpaid, Base Salary through the Date of Termination;

(ii) any amounts owing to the Executive for reimbursement of expenses properly incurred by the Executive prior to the Date of Termination which are reimbursable in accordance with Section 5(c); and

(iii) any accrued and vested employee benefits, subject to the terms of the applicable employee benefit plans.

The amounts payable under this Section 6(d) (the "Accrued Benefits") shall be paid at the time such payments would otherwise be due under the Company's regular payroll practices, applicable Company policies or plans, or a time if required by applicable law.

(e) Additional Termination Benefits. If the Executive's employment is terminated by the Company during the Employment Period without Cause, or by the Executive for Good Reason, the Company shall pay or provide, in addition to the Accrued Benefits described in Section 6(d) above, the following benefits, which are referred to as the "Severance Benefits":

(i) a lump sum payment equal to twelve (12) months of Base Salary then in effect, payable on the first payroll date occurring after the sixtieth (60th) day following the Date of Termination; and

(ii) if the Executive timely elects participation in the Company's group health insurance plan pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended or any state law statute that provides for the continuation of benefits under such plan (collectively, "COBRA"), the Company will pay the full cost of COBRA coverage for twelve (12) months, at the coverage level the Executive (including the Executive's dependents) had immediately before the Date of Termination, provided, however, that such payments shall end immediately following the earliest of the following: (1) the date the Executive becomes eligible for health, dental, or vision coverage of a subsequent employer; (2) the date the Executive is no longer eligible to receive COBRA continuation coverage.

(f) Change in Control Severance. If the Executive's employment is terminated by the Company during the Employment Period without Cause, or by the Executive for Good Reason, and such termination occurs within two (2) years after the occurrence of a Change in Control (defined below), then the Severance Benefits described in Section 6(e) shall not apply and will not be paid or provided and instead, the Company shall pay or provide, in addition to the Accrued Benefits described in Section 6(d) above, the following Severance Benefits:

(i) a lump sum payment equal to twelve (12) months of Base Salary then in effect, payable on the first payroll date occurring after the sixtieth (60th) day following the Date of Termination;

(ii) all stock options, restricted stock, restricted stock units and other equity awards subject to vesting shall automatically vest in full; and

(iii) if the Executive timely elects participation in the Company's group health insurance plan pursuant to COBRA, the Company will pay the full cost of COBRA coverage for twelve (12) months, at the coverage level the Executive (including the Executive's dependents) had immediately before the Date of Termination, *provided, however*, that such payments shall end immediately following the earliest of the following: (1) the date the Executive becomes eligible for health, dental, or vision coverage of a subsequent employer; (2) the date the Executive is no longer eligible to receive COBRA continuation coverage.

For purposes of this Agreement, "Change in Control" is defined as the occurrence of any of the following after the Effective Date: (i) a sale of all or substantially all of the assets of the Company; (ii) the acquisition of more than 50% of the voting power of the outstanding securities of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, reorganization, merger or consolidation) unless the Company's stockholders of record as constituted immediately prior to such acquisition will, immediately after such acquisition (by virtue of their continuing to hold such stock and/or their receipt in exchange therefor of securities issued as consideration for the Company's outstanding stock) hold at least 50% of the voting power of the surviving or acquiring entity; or (iii) any reorganization, merger or consolidation in which the Company is not the surviving entity, excluding any merger effected exclusively for the purpose of changing the domicile of the Company and excluding any reorganization, merger or consolidation in which the Company's stockholders of record as constituted immediately prior to such reorganization, merger or consolidation will, immediately after such reorganization, merger or consolidation (by virtue of their continuing to hold such stock and/or their receipt in exchange therefor of securities issued as consideration for the Company's outstanding stock) hold at least 50% of the voting power of the surviving or acquiring entity in any such reorganization, merger or consolidation.

(g) Requirement of Release. Payment or provision of any of the Severance Benefits is contingent upon the Executive, within sixty (60) days of the Date of Termination, executing and delivering to the Company, and allowing to become irrevocable and effective, a general release of claims in a form acceptable to the Company. Notwithstanding any other provisions of this Agreement, no portion of the Severance Benefits will be paid or provided until the conditions of the foregoing sentence are satisfied. Payment of the Severance Benefits is also contingent upon Executive's full and continued compliance with the provisions of Section 7 of this Agreement.

(h) Post-Employment Cooperation. Upon or after termination of the Executive's employment at any time and for any reason, the Executive agrees to take the following actions:

(i) If requested by the Company at any time, the Executive shall immediately resign from any and all positions the Executive holds with the Company and its Affiliates, including any positions on the Board of Directors of the Company. "Affiliates" as used in this Agreement includes any person, corporation, partnership, general partner, or other entity that directly, or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Company.

(ii) The Executive shall cooperate with transition of the Executive's responsibilities, and comply with other reasonable post-employment requests by the Company including responding to reasonable requests it may make for information and assisting the Company in defense of any pending, threatened, or anticipated litigation, proceeding, or inquiry in matters which the Company reasonably determines the Executive's participation to be necessary; provided that any such cooperation will take into account the Executive's other scheduling needs. The Executive shall not be entitled to compensation for providing the foregoing cooperation and assistance, however, the Executive shall be reimbursed for reasonable and necessary out-of-pocket expenditures (not including attorneys' fees).

(iii) The Executive will execute any documents requested by the Company to affect the purposes of this Section 6(h).

7. RESTRICTIVE COVENANTS.

(a) Acknowledgment. The Executive understands and agrees that the Executive will occupy a position of trust and confidence with respect to the Company's business affairs, and the Executive will be privy to non-public information relating to the Company and its Affiliates, including, without limitation, their business relationships; negotiations; past, present and prospective activities; methods of doing business; business models; know-how; trade secrets; customer and supplier lists; the identity of potential customers; marketing plans; financial and technical information; discoveries; ideas; designs; drawings; specifications; techniques; programs; systems; processes; models; data; documentation; formulae; recipes; products, services; computer software; supplier and service provider information; other information generally regarded as confidential and proprietary; other information marked as confidential or proprietary or that would otherwise appear to a reasonable person to be confidential or proprietary; information of third parties to which the Company or its Affiliates have confidentiality obligations and use restrictions; and all forms of the foregoing information, as well as modifications, enhancements, and improvements to any of the foregoing, including in digital, physical, tangible, and intangible form (hereinafter collectively referred to as the "Confidential Information"). Notwithstanding the foregoing, it is agreed that Confidential Information does not include information regarding the Executive's own compensation and benefits or information that became generally available to the public other than as a result of a direct or indirect disclosure by the Executive or a representative of the Executive in violation of this Agreement. The Executive agrees that the following obligations are necessary to preserve the confidential and proprietary nature of Confidential Information (including trade secrets), to protect the goodwill of the Company and its Affiliates, and to protect the Company and its Affiliates against harmful competition, harmful solicitation of employees, and other actions by the Executive based on the Executive's special knowledge acquired during employment that would result in serious adverse consequences for the Company and its Affiliates.

(b) Confidentiality. The Executive shall not, except as may be required to perform the Executive's duties hereunder or as required by applicable law, during the Executive's employment with the Company and after it ends (regardless of the reason), without limitation in time or until such information shall have become public other than by the Executive's unauthorized disclosure, disclose to any third party or use for the Executive's benefit or the benefit of any third party, whether directly or indirectly, any Confidential Information without the Company's specific prior written authorization. The Executive shall also hold Confidential Information in the strictest confidence and take all reasonable precautions to prevent any unauthorized use or disclosure. The Executive shall not at any time copy, transmit, reproduce, summarize, or quote or make any commercial or any other use whatsoever of any Confidential Information, except as may be necessary to perform the Executive's duties as an employee of the Company. The Executive agrees that, as between the Executive and the Company, Confidential Information is property of the Company.

(c) Notification and Assistance Obligations; Subpoena. The Executive shall at all times: (i) promptly notify the Company of any unauthorized use or disclosure of Confidential Information, or any other breach of this Agreement; and (ii) assist the Company in every reasonable way to retrieve any Confidential Information that was used or disclosed by the Executive or any representative of the Executive in a manner inconsistent with this Section 7, and to mitigate the harm caused by the unauthorized use or disclosure. Further, if the Executive is served with any subpoena or other compulsory judicial or administrative process calling for production of any Confidential Information, the Executive shall immediately notify the Company so that the Company may take such action as the Company deems necessary to protect its interests.

(d) Return of Property. The Executive acknowledges that all Confidential Information is specialized, unique in nature, and of great value to the Company and its Affiliates, and that such Confidential Information gives the Company and its Affiliates a competitive advantage. The Executive agrees to deliver or return to the Company, at the Company's request at any time or upon termination of the Executive's employment for any reason, all Confidential Information and all Company property, including any and all documents, disks/drives, laptops, tablets, phones, passwords and credentials, records, lists, data, drawings, prints, notes and written or recorded information (and all copies thereof) furnished by or on behalf of or for the benefit of the Company and its Affiliates or prepared by the Executive during the Executive's employment with the Company, whether in tangible or electronic form, in the possession or control of the Executive.

(e) Non-Competition. For the Restricted Period ending eighteen (18) months after the Executive's Date of Termination, the Executive shall not directly or indirectly advise, invest in, own, manage, operate, control, be employed by, provide services to, lend money to, guarantee any obligation of, lend Executive's name to, or otherwise assist any person engaged in or planning

to be engaged in any business whose products, services, or activities compete or will compete in whole or in part with the Company's products, services, or activities anywhere in the world, provided that the Executive may own up to 1% of any class of securities of any issuer if the securities are listed on a national or regional securities exchange or have been registered under Section 12(g) of the Securities Exchange Act of 1934.

(f) Non-Solicitation of Customers. During the Restricted Period, the Executive shall not, on behalf of the Executive or any other individual or entity, (i) solicit or encourage any person or entity who was a client or customer of the Company or its Affiliates during the Executive's employment and with whom Executive had contact or about whom Executive gained Confidential Information to: (A) terminate, reduce, or alter in a manner adverse to the Company or its Affiliates any existing business arrangements with the Company or its Affiliates, or (B) transfer existing business from the Company or its Affiliates to any other person or entity; or (ii) solicit any person or entity who was a client or customer of the Company or its Affiliates during the Executive's employment and with whom Executive had contact or about whom Executive gained Confidential Information for the purpose of providing such person or entity with goods or services competitive with or similar to the goods or services provided by the Company or its Affiliates. Notwithstanding the foregoing, nothing in this Section 7(f) shall be deemed to prohibit solicitation of a person whose sole relationship with the Company or its Affiliates was as an individual consumer.

(g) Non-Solicitation of Employees, Consultants, and Advisors. The Executive agrees that, during the Restricted Period, the Executive will not, directly or indirectly, other than as an employee of and for the benefit of the Company or its Affiliates, solicit, entice, persuade, or induce any individual who is employed by the Company or its Affiliates or engaged by the Company or its Affiliates as a consultant or advisor or similar role (or who was so employed or engaged within six (6) months prior to the Executive's action) to terminate or refrain from continuing such employment or engagement.

(h) Intellectual Property. The Executive shall disclose promptly and in writing to the Company all inventions, creative works, and any other intellectual property, whether or not patentable or copyrightable, conceived, or created solely or jointly by the Executive during the Executive's employment with the Company which relate to the business of the Company, and the Executive shall assign all of the Executive's interest in them to the Company. The Executive shall execute all papers at the Company's expense, which the Company shall deem necessary to apply for and obtain domestic and foreign patents and copyright registrations, and to protect and enforce the Company's interest in them. These obligations shall continue beyond the period of the Executive's employment with respect to inventions or creations conceived or made by the Executive alone or in conjunction with other employees or consultants of the Company or its Affiliates during the Executive's employment with the Company.

(i) Remedies. In the event of a breach or threatened breach of this Section 7, the Executive acknowledges the Company, including its business interests, will be irreparably harmed, the full extent of the damages to the Company will be impossible to ascertain, and monetary damages alone are not an adequate remedy. Accordingly, the Executive agrees that in addition to any other remedy that may be available to it, the Company shall be entitled to temporary, preliminary, and/or permanent injunctive relief or other equitable relief to remedy any such breach or threatened breach, without bond and without proving actual damages or the inadequacy of money damages, in any court of competent jurisdiction. The Executive agrees that the restrictions of this Agreement are reasonable and no broader than necessary to protect the legitimate business interests of the Company and its Affiliates.

(j) Survival of Provisions. For the avoidance of doubt, the Executive's obligations contained in this Section 7 shall survive the termination or expiration of the Employment Period and the Executive's employment with the Company and, as applicable, shall be fully enforceable thereafter in accordance with the terms of this Agreement.

(k) Reformation and Severability. If it is determined by a court, arbitrator, or other adjudicator of competent jurisdiction that any restriction in this Section 7 is excessive with respect to geographic area, duration, or scope or is otherwise unreasonable or unenforceable, it is the intention of the parties that such restriction may be modified or amended by the court, arbitrator, or adjudicator to render it enforceable to the maximum extent permitted by law. In the event that modification is not possible or that the applicable law does not permit such reformation, then the Executive and the Company agree that, because each of the Executive's obligations in this Section 7 is a separate and independent covenant, any unenforceable obligation shall be severed and all remaining obligations shall be enforced.

(l) Tolling of Restricted Period. If the Executive violates the terms of any of the restrictions set forth in Section 7(e), Section 7(f), or Section 7(g), the Restricted Period shall automatically be extended by the period the Executive was in violation.

(m) Rights Not Subject to Limitation.

(i) Notwithstanding anything in this Agreement, the Executive may (1) disclose Confidential Information that the Executive is specifically required by court order, subpoena, or law to disclose, but agrees to disclose only that portion of Confidential Information that is legally required to be disclosed; (2) report possible violations of law to a government agency or entity or self-regulatory organization or cooperating with such agency or entity or organization; or (3) make whistleblower or other disclosures that are protected under whistleblower provisions of federal or state law.

(ii) The Executive understands that the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (1) is made (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, an individual suing an employer for retaliation based on the reporting of a suspected violation of law may disclose a trade secret to his or her attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

8. NO VIOLATION OF THIRD-PARTY RIGHTS.

(a) The Executive hereby represents, warrants, and covenants to the Company that the Executive:

(i) shall not, during the Executive's employment with the Company, infringe upon or violate any proprietary rights of any third party (including, without limitation, any third party confidential relationships, patents, copyrights, trade secrets or other proprietary rights);

(ii) is not a party to any agreements with third parties that prevent the Executive from fulfilling the terms of employment and the obligations of this Agreement or which would be breached as a result of the Executive's execution of this Agreement; and

(iii) agrees to respect any and all valid obligations which the Executive may now have to prior employers or to others relating to confidential information, inventions or discoveries which are the property of those prior employers or others, as the case may be.

(b) If the Executive is in breach of any of the foregoing representations, warranties, and covenants, the Company may immediately terminate this Agreement and treat the Executive as if the Executive were terminated for Cause.

9. WITHHOLDING. The Company shall make such deductions and withhold such amounts from each payment made to the Executive hereunder as may be required from time to time by law, governmental regulation, or order.

10. SECTION 409A. The Executive and the Company acknowledge that each of the payments and benefits promised to the Executive under this Agreement must either comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (together, "Code Section 409A") or qualify for an exception from compliance. This Agreement shall be construed and administered in such manner as shall be necessary to effect compliance with, or an exemption from, Code Section 409A; provided, the preceding provisions shall not be construed as a guarantee by the Company of any particular tax effect to the Executive of the payments and other benefits under this Agreement. With respect to payments under this Agreement, for purposes of Code Section 409A, each payment will be considered as one of a series of separate payments. The Executive and the Company further agree that, to the extent not otherwise exempt, the termination benefits described in this agreement are intended to be exempt from Code Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(4) as short-term deferrals or as payments pursuant to a separation pay plan pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii). If a payment obligation under this Agreement arises on account of the Executive's termination of employment and if such payment obligation is considered "deferred compensation" (as defined under Treasury Regulation Section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation Sections 1.409A-1(b)(3) through (b)(12)), the payment shall be paid only in connection with the Executive's "separation from service" (as defined in Treasury Regulation Section 1.409A-1(h)). If a payment obligation under this Agreement arises on account of the Executive's "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h)) while the Executive is a "specified employee" (as defined under Treasury Regulation Section 1.409A-1(h)), any payment of "deferred compensation" (as defined under Treasury Regulation Section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation Sections 1.409A-1(b)(3) through (b)(12)) that is scheduled to be paid within six (6) months after such separation from service shall accrue without interest and shall be paid on the first day of the seventh (7th) month beginning after the date of the Executive's separation from service or, if earlier, within fifteen (15) days after the appointment of the personal representative or executor of the Executive's estate following the Executive's death solely to the extent such a delay is required to avoid the imposition of excise taxes under Code Section 409A. With respect to any reimbursement of expenses of, or any provision of in-kind benefits to, the Executive, as specified under this Agreement, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (i) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Section 105(b) of the Code, if any; (ii) the reimbursement of an eligible expense shall be made no later than the end of the year after the year in which such expense was incurred; and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

11. PARACHUTE PAYMENTS. Notwithstanding any other provision of this Agreement or of any other agreement, contract, or understanding heretofore or hereafter entered into by the Executive and the Company or its Affiliates, except an agreement, contract, or understanding hereafter entered into that expressly modifies or excludes application of this Section 11 (the "Other Agreements"), and notwithstanding any formal or informal plan or other arrangement heretofore or hereafter adopted by the Company or any of its Affiliates for the direct or indirect compensation of the Executive (including groups or classes of participants or beneficiaries of which the Executive is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Executive (a "Benefit Arrangement"), if the Executive is a "disqualified individual," as defined in Section 280G(c) of the Code, any right to receive any payment or other benefit under this Agreement shall not become payable, exercisable or vested (i) to the extent that such right to payment, exercise, vesting, or benefit, taking into account all other rights, payments, or benefits to or for Executive under the Agreement, all Other Agreements, and all Benefit Arrangements, would cause any payment or benefit to the Executive under this Agreement to be considered a "parachute payment" within the meaning of Section 280G(b)(2) of the Code as then in effect (a "Parachute Payment") and (ii) if, as a result of receiving a Parachute Payment, the aggregate after-tax amounts received by the Executive from the Company or any of its Affiliates under this Agreement, all Other Agreements, and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by Executive without causing any such payment or benefit to be considered a Parachute Payment. In the event that the receipt of any such right to exercise, vesting, payment, or benefit under this Agreement, in conjunction with all other rights, payments, or benefits to or for the Executive under the Agreement, any Other Agreement or any Benefit Arrangement would cause the Executive to be considered to have received a Parachute Payment under this Agreement that would have the effect of decreasing the after-tax amount received by the Executive as described in clause (ii) of the preceding sentence, then the Executive shall have the right, in the Executive's sole discretion, to designate those rights, payments, or benefits under this Agreement, any Other Agreements, and any Benefit Arrangements that should be reduced or eliminated so as to avoid having the payment or benefit to the Executive under this Agreement be deemed to be a Parachute Payment; provided, however, that, to the extent any payment or benefit constitutes deferred compensation under Code Section 409A, to the extent necessary to comply with Code Section 409A, the reduction or elimination will be performed in the following order: (A) reduction of cash payments; (B) reduction of COBRA benefits; (C) cancellation of acceleration of vesting on any equity awards for which the exercise price exceeds the then fair market value of the underlying equity; and (D) cancellation of acceleration of vesting of equity awards not covered under (C) above; provided, however that in the event that acceleration of vesting of equity awards is to be cancelled, such acceleration of vesting shall be cancelled in the reverse

order of the date of grant of such equity awards, that is, later granted equity awards shall be canceled before earlier granted equity awards.

12. CLAWBACK POLICIES. The Executive is subject to any recoupment or clawback policies that the Company may implement or maintain at any time regarding incentive-based compensation, which is granted or awarded to Executive on or after the date of this Agreement. Such policies may include the right to recover incentive-based compensation (including stock options awarded as compensation) awarded or received during the three-year period preceding the date on which the Company is required to prepare an accounting restatement due to material noncompliance with any financial reporting requirement under federal securities laws. The Executive agrees to amend any awards and agreements entered into on or after the date of this Agreement as the Company may request to reasonably implement to policies.

13. NOTICES. Any notice, demand, or communication required, permitted, or desired to be given hereunder shall be deemed effectively given when personally delivered or mailed by prepaid certified mail, return receipt requested, addressed as follows:

If to the Company:

Laird Superfood, Inc.
275 W. Lundgren Mill Drive
Sisters, Oregon 97759
Attn: General Counsel

If to the Executive, at the address for the Executive then on file with the Company.

Either party may change such party's address for notices by notice duly given pursuant hereto.

14. GOVERNING LAW AND FORUM SELECTION. This Agreement and the legal relations thus created between the parties hereto shall be governed by and construed under and in accordance with the laws of the State of Colorado, without regard to its conflicts of law principles. Except for an action by the Company seeking injunctive relief (which may be brought in any court immediately and without complying with any dispute resolution procedures), all disputes arising out of or related to this Agreement or the Executive's employment with the Company shall be resolved exclusively by the state or federal courts with jurisdiction over Boulder, Colorado and each party irrevocably submits to the jurisdiction of any such court in any such action, suit, or proceeding and to the laying of venue in such court in connection with such action.

15. ENTIRE AGREEMENT; TERMINATION OF PRIOR AGREEMENTS. This Agreement contains the entire understanding of the parties relating to the employment of the Executive. This Agreement terminates and supersedes and any and all prior agreements and understandings between the parties with respect to the Executive's employment and compensation by the Company, whether oral or written, including without limitation any employment agreement previously entered into between the Executive and the Company.

16. WAIVER; MODIFICATION. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times. This Agreement shall not be modified in any respect except by a writing executed by each party hereto.

17. ASSIGNMENT; SUCCESSORS. This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive. The obligations of the Executive hereunder shall be binding upon the Executive's heirs, administrators, executors, successors, permitted assigns, and other legal representatives. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Company's successors and assigns.

18. SEVERABILITY. Except as provided in Section 7(k) hereof, in the event that a court of competent jurisdiction or other adjudicator determines that any portion of this Agreement is in violation of any statute or public policy or otherwise unlawful or unenforceable, only the portions of this Agreement that violate such statute or public policy or are otherwise unlawful or unenforceable shall be stricken. All portions of this Agreement that do not violate any statute, public policy, or other law shall continue in full force and effect. Furthermore, if permitted by law, any order striking any portion of this Agreement shall modify the stricken terms as little as possible to give as much effect as possible to the intentions of the parties under this Agreement.

19. SURVIVAL. The Executive acknowledges that, certain provisions, by their terms, survive termination of this Agreement.

20. HEADINGS; INCONSISTENCY. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. In the event of any inconsistency between the terms of this Agreement and any form, award, plan or policy of the Company, the terms of this Agreement shall control.

21. COUNTERPARTS AND DIGITAL SIGNATURE. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. In the event that any signature is delivered via e-mail transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such digital signature page were an original signature.

22. REPRESENTATION BY COUNSEL; INTERPRETATION. Each party acknowledges that it has had the opportunity to be represented by counsel in connection with this Agreement. Any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement against the party that drafted it has no application and is expressly waived.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Executive has hereunto signed this Agreement on the dates written below.

LAIRD SUPERFOOD, INC.

By:

Title:

Date:

ANNA K. HAMILL

Name

Date:

CERTIFICATION

I, Jason Vieth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Laird Superfood, 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(s) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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: November 10, 2022

By: /s/ Jason Vieth
Jason Vieth.

President and Chief Executive Officer and Director
(*principal executive officer*)

CERTIFICATION

I, Anya Hamill, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Laird Superfood, 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(s) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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: November 10, 2022

By: /s/ Anya Hamill
Anya Hamill

Chief Financial Officer
(principal financial and accounting 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 on Form 10-Q of Laird Superfood, Inc. (the “Company”) for the period ending September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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.

Date: November 10, 2022

By: _____ /s/ Jason Vieth

Jason Vieth

Chief Executive Officer
(*principal executive officer*)

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.

Chief Financial Officer
(principal financial and accounting officer)