

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2020

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 333-161943

Better Choice Company Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

83-4284557

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

164 Douglas Road East
Oldsmar, Florida 34677

(Address of Principal Executive Offices) (Zip Code)

(Registrant's Telephone Number, Including Area Code): (813) 659-5921

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

| Title of Each Class | Trading Symbol(s) | Name of Each Exchange on which Registered |
|---------------------|-------------------|---|
| N/A | N/A | N/A |

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by checkmark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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

*(As a voluntary filer, the registrant has not been subject to the filing requirements of Section 13 or 15(d) of the Exchange Act for the past 90 days. The registrant has filed all reports required under Section 13 or 15(d) of the Exchange Act during the preceding 12 months).

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 checkmark whether the registrant is a large accelerated filer, 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 a 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 a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date was: 48,939,708 shares of \$0.001 par value common stock outstanding as of June 18, 2020.

Better Choice Company Inc.
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EXPLANATORY NOTE

As previously disclosed in the Current Report on Form 8-K filed by the Company with the SEC on May 14, 2020, the filing of the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2020 was delayed due to circumstances related to the COVID-19 pandemic. The Company relied on the SEC's order pursuant to Section 36 of the Securities Exchange Act of 1934 Modifying Exemptions from the Reporting and Proxy Delivery Requirements for Public Companies, as amended (Release No. 34-88465), dated March 25, 2020, to delay the filing of this Form 10-Q.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

This Quarterly Report on Form 10-Q ("Quarterly Report") is filed by Better Choice Company Inc. ("Better Choice Company" or the "Company") and as discussed in more detail in our Annual Report on Form 10-K, filed on May 1, 2020, the Company completed its acquisitions (the "May Acquisitions") of TruPet LLC ("TruPet") and Bona Vida, Inc. ("Bona Vida"). The acquisition of TruPet is treated as a reverse merger with TruPet determined to be the accounting acquirer of the Company. As such, the historical financial statements of the registrant prior to the May Acquisitions are those of TruPet and TruPet's equity has been re-cast to reflect shares of Better Choice Company common stock received in the acquisitions. The acquisition of Better Choice Company and Bona Vida were treated as asset acquisitions. On December 19, 2019, Better Choice Company acquired (the "Halo Acquisition", and together with the May Acquisitions, the "Acquisitions") 100% of the issued and outstanding capital stock of Halo, Purely for Pets, Inc. ("Halo"). Unless otherwise stated or the context otherwise requires, the historical business information described in this Quarterly Report prior to consummation of the May Acquisitions is that of TruPet and, following consummation of the May Acquisitions through December 19, 2019, reflects business information of the Company, TruPet, and Bona Vida. From December 19, 2019 onward, the results of operations reflects business information of Better Choice Company and Halo as a combined business.

FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts contained in this Quarterly Report are "forward-looking statements" for purposes of federal and state securities laws, including statements regarding our expectations and projections regarding future developments, operations and financial conditions, and the anticipated impact of our acquisitions, business strategy, and strategic priorities. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other similar expressions, although not all forward-looking statements contain these words. The forward-looking statements in this Quarterly Report are only predictions and are based largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Quarterly Report and are subject to a number of known and unknown risks, uncertainties and assumptions. Although we believe the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties.

These forward-looking statements present our estimates and assumptions only as of the date of this Quarterly Report. Accordingly, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise. You should, however, consult further disclosures we make in future filings and public disclosures, including without limitation, our Annual Report on Form 10-K, Transition Report on Form 10-KT, Quarterly Reports on Forms 10-Q and Current Reports on Forms 8-K.

PART I

ITEM 1. FINANCIAL STATEMENTS

Better Choice Company Inc.
Condensed Consolidated Balance Sheets
As of March 31, 2020 and December 31, 2019
(Dollars in thousands, except share and per share amounts)

| | March 31, 2020 | December 31, 2019 |
|--|-----------------------|--------------------------|
| | (unaudited) | |
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,842 | \$ 2,361 |
| Restricted cash | 25 | 173 |
| Accounts receivable, net | 6,121 | 5,824 |
| Inventories, net | 4,762 | 6,580 |
| Prepaid expenses and other current assets | 3,064 | 2,641 |
| Total Current Assets | 15,814 | 17,579 |
| Property and equipment, net | 349 | 417 |
| Right-of-use assets, operating lease | 888 | 951 |
| Intangible assets, net | 14,259 | 14,641 |
| Goodwill | 18,614 | 18,614 |
| Other assets | 1,027 | 1,330 |
| Total Assets | \$ 50,951 | \$ 53,532 |
| Liabilities & Stockholders' Deficit | | |
| Current Liabilities | | |
| Short term loan, net | \$ 17,023 | \$ 16,061 |
| Line of credit, net | 5,366 | 4,819 |
| Other liabilities | 209 | 500 |
| Accounts payable | 4,226 | 4,049 |
| Accrued liabilities | 4,570 | 4,721 |
| Deferred revenue | 330 | 311 |
| Operating lease liability, current portion | 352 | 345 |
| Warrant derivative liability | 841 | 2,220 |
| Total Current Liabilities | 32,917 | 33,026 |
| Noncurrent Liabilities | | |
| Notes payable, net | 17,559 | 16,370 |
| Operating lease liability | 566 | 641 |
| Total Noncurrent Liabilities | 18,125 | 17,011 |
| Total Liabilities | 51,042 | 50,037 |
| Redeemable Series E Convertible Preferred Stock | | |
| Redeemable Series E preferred stock, \$0.001 par value, 2,900,000 shares authorized, 1,387,378 shares issued and outstanding at March 31, 2020 and December 31, 2019 | 10,566 | 10,566 |
| Stockholders' Deficit | | |
| Common stock, \$0.001 par value, 88,000,000 shares authorized, 48,939,708 & 47,977,390 shares issued and outstanding at March 31, 2020 and December 31, 2019 | 49 | 48 |
| Additional paid-in capital | 200,051 | 194,150 |
| Accumulated deficit | (210,757) | (201,269) |
| Total Stockholders' Deficit | (10,657) | (7,071) |
| Total Liabilities, Redeemable Preferred Stock and Stockholders' Deficit | \$ 50,951 | \$ 53,532 |

See accompanying notes to the unaudited condensed consolidated financial statements.

Better Choice Company Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(unaudited)

(Dollars in thousands, except share and per share amounts)

| | Three Months Ended March 31, | |
|--|-------------------------------------|-------------|
| | 2020 | 2019 |
| Net sales | \$ 12,226 | \$ 3,551 |
| Cost of goods sold | 8,069 | 1,661 |
| Gross profit | 4,157 | 1,890 |
| Operating expenses: | | |
| General and administrative | 8,056 | 1,959 |
| Share-based compensation | 2,484 | 206 |
| Sales and marketing | 1,959 | 2,185 |
| Customer service and warehousing | 190 | 254 |
| Total operating expenses | 12,689 | 4,604 |
| Loss from operations | (8,532) | (2,714) |
| Other expense/(other income): | | |
| Interest expense, net | 2,301 | 62 |
| Change in fair value of warrant derivative liability | (1,379) | - |
| Total other expense/(other income) | 922 | 62 |
| Net and comprehensive loss | (9,454) | (2,776) |
| Preferred dividends | 34 | - |
| Net and comprehensive loss available to common stockholders | (9,488) | (2,776) |
| Weighted average number of shares outstanding, basic and diluted | 48,526,396 | 11,674,127 |
| Loss per share, basic and diluted | \$ (0.20) | \$ (0.24) |

See accompanying notes to the unaudited condensed consolidated financial statements.

Better Choice Company Inc.
Condensed Consolidated Statements of Stockholders' Deficit
For the Three Months Ended March 31, 2020
(unaudited)
(Dollars in thousands except shares)

| | <u>Common Stock</u> | | <u>Additional Paid-In Capital</u> | <u>Accumulated Deficit</u> | <u>Total Stockholders' Deficit</u> | <u>Redeemable Series E Convertible Preferred Stock</u> | |
|--|---------------------|---------------|---|--------------------------------|--|--|------------------|
| | <u>Number</u> | <u>Amount</u> | | | | <u>Number</u> | <u>Amount</u> |
| Balance at December 31, 2019 | 47,977,390 | \$ 48 | \$ 194,150 | \$ (201,269) | \$ (7,071) | 1,387,378 | \$ 10,566 |
| Shares issued pursuant to a private placement | 308,642 | - | 500 | - | 500 | - | - |
| Share-based compensation | 455,956 | 1 | 2,484 | - | 2,485 | - | - |
| Shares and warrants issued to third party for contract termination | 72,720 | - | 198 | - | 198 | - | - |
| Shares issued to third parties for services | 125,000 | - | 125 | - | 125 | - | - |
| Warrants issued to third parties for services | - | - | 2,594 | - | 2,594 | - | - |
| Net and comprehensive loss available to common stockholders | - | - | - | (9,488) | (9,488) | - | - |
| Balance at March 31, 2020 | 48,939,708 | \$ 49 | \$ 200,051 | \$ (210,757) | \$ (10,657) | 1,387,378 | \$ 10,566 |

See accompanying notes to the unaudited condensed consolidated financial statements.

Better Choice Company Inc.
Condensed Consolidated Statements of Stockholders' Deficit
For the Three Months Ended March 31, 2019
(unaudited)
(Dollars in thousands except shares)

| | <u>Common Stock</u> | | <u>Convertible Series A Preferred Stock</u> | | Additional paid-in capital | Accumulated deficit | Total Stockholders' Deficit |
|--|---------------------|--------------|---|-------------|----------------------------|---------------------|-----------------------------|
| | Number | Amount | Number | Amount | | | |
| Balance at December 31, 2018 | 11,661,485 | \$ 12 | 2,391,403 | \$ 2 | \$ 13,642 | \$ (16,698) | (3,042) |
| Shares issued pursuant to a private placement - net proceeds | - | - | 69,115 | - | 150 | - | 150 |
| Share-based compensation | 18,964 | - | - | - | 206 | - | 206 |
| Net and comprehensive loss available to common stockholders | - | - | - | - | - | (2,776) | (2,776) |
| Balance at March 31, 2019 | 11,680,449 | \$ 12 | 2,460,518 | \$ 2 | \$ 13,998 | \$ (19,474) | \$ (5,462) |

See accompanying notes to the unaudited condensed consolidated financial statements.

Better Choice Company Inc.
Condensed Consolidated Statements of Cash Flows
(Dollars in thousands)

| | Three Months Ended March 31, | |
|--|-------------------------------------|-------------------|
| | 2020 | 2019 |
| Cash Flow from Operating Activities: | | |
| Net and comprehensive loss available to common stockholders | \$ (9,488) | \$ (2,776) |
| Adjustments to reconcile net and comprehensive loss to net cash used in operating activities : | | |
| Non-cash expenses | | |
| Shares and warrants issued to third parties for services | 2,792 | - |
| Depreciation and amortization | 457 | 4 |
| Amortization of debt issuance costs and discounts | 1,090 | - |
| Share-based compensation | 2,484 | 206 |
| Lease expenses | (4) | 8 |
| Change in fair value of warrant derivative liability | (1,379) | - |
| Payment in kind (PIK) interest expense on notes payable | 459 | - |
| Contract termination costs | 649 | - |
| Changes in operating assets and liabilities, net of effects of business acquisition: | | |
| Accounts receivable, net | (297) | 63 |
| Inventories, net | 1,818 | 233 |
| Prepaid expenses and other current assets | (423) | 148 |
| Other assets | 428 | (26) |
| Accounts payable | 177 | 445 |
| Accrued liabilities | (151) | 233 |
| Deferred revenue | 19 | 118 |
| Other | 210 | (24) |
| Cash Used in Operating Activities | \$ (1,159) | \$ (1,368) |
| Cash Flow from Investing Activities | | |
| Acquisition of property and equipment, net | \$ (8) | \$ - |
| Cash Used in Investing Activities | \$ (8) | \$ - |
| Cash Flow from Financing Activities | | |
| Proceeds from shares issued pursuant to private placement, net | \$ - | \$ 150 |
| Proceeds from revolving line of credit | 500 | - |
| Payment of cash advance, net | - | (906) |
| Cash Provided by (Used in) Financing Activities | \$ 500 | \$ (756) |
| Net Decrease in Cash and cash equivalents and Restricted cash | \$ (667) | \$ (2,124) |
| Total Cash and cash equivalents, Beginning of Period | 2,534 | 3,946 |
| Total Cash and cash equivalents and Restricted cash, End of Period | \$ 1,867 | \$ 1,822 |

Supplemental cash flow information

The following represent noncash financing and investing activities and other supplemental disclosures related to the statement of cash flows:

On January 1, 2019, the Company adopted ASC 842 which resulted in the acquisition of right-of-use assets and operating lease liabilities as follows:

| | |
|--|--------|
| Right-of-use assets and operating lease liability acquired under operating leases | |
| Right-of-use assets recorded upon adoption of ASC 842 | \$ 421 |
| Operating lease liability recorded upon adoption of ASC 842 | (429) |
| Noncash acquisition of right-of-use assets for leases entered into during period | 607 |
| Noncash acquisition of operating lease liability for leases entered into during the period | (594) |

The Company paid no income taxes during the three months ended March 31, 2020 and 2019.

The Company paid interest of \$0.7 million and \$0.3 million during the three months ended March 31, 2020 and 2019, respectively.

On January 13, 2020 and January 20, 2020, respectively, the Company issued 72,720 shares of common stock and 61,224 common stock warrants to a third party in connection with a contract termination.

On March 5, 2020, 125,000 shares of common stock were issued to an affiliate of iHeartMedia Entertainment, Inc. ("iHeart") for future advertising to be incurred through August 2021.

On March 17, 2020, 1,003,232 warrants were issued to holders of warrants acquired on May 6, 2019 due to dilutive impact of subsequent issuances.

See accompanying notes to the unaudited condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements
(dollars in thousands except share and per share amounts)
(Unaudited)

Note 1 – Nature of Business and Summary of Significant Accounting Policies

Nature of the Business

Better Choice Company Inc. is a rapidly growing animal health and wellness company committed to leading the industry shift toward pet products and services that help dogs and cats live healthier, happier and longer lives. We sell the majority of our dog food, cat food and treats under the Halo and TruDog brands, which are focused, respectively, on providing sustainably sourced kibble and canned food derived from real whole meat, and minimally processed raw-diet dog food and treats.

On May 6, 2019, the Company completed the reverse acquisition of TruPet LLC (“TruPet”) and Bona Vida Inc. (“Bona Vida”) in a pair of all stock transactions (together referred to as the “May Acquisitions”) through the issuance of shares of common stock. Following the completion of the May Acquisitions, the business conducted by the Company became primarily the businesses conducted by TruPet and Bona Vida. As a result, the consolidated financial statements for the year ended December 31, 2019 are comprised of the results of TruPet for the period between January 1, 2019 and December 31, 2019 and the results of Bona Vida beginning May 6, 2019 through December 31, 2019. The Company completed the acquisition of Halo on December 19, 2019 (see “Note 2 – Acquisitions”). Accordingly, Halo’s operations are included in the Company’s consolidated financial statements beginning December 19, 2019 through December 31, 2019.

Basis of Presentation

The condensed consolidated financial statements reflect all normal recurring adjustments which, in management’s opinion, are necessary for a fair statement of the results for interim periods. Results of operations for interim periods may not be representative of results to be expected for the full year.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission (“SEC”).

We present our tables in U.S. dollars (thousands) and percentage as rounded up or down. In the notes, we represent U.S. dollars (millions) and percentage as rounded up or down.

Consolidation

The Company’s interim condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). The financial statements are presented on a consolidated basis subsequent to acquisitions and include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Going Concern Considerations

The Company is subject to risks common in the pet wellness consumer market including, but not limited to, dependence on key personnel, competitive forces, successful marketing and sale of its products, the successful protection of its proprietary technologies, ability to grow into new markets, and compliance with government regulations. In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China. Uncertainties regarding the economic impact of COVID-19, the disease caused by the novel coronavirus, are likely to result in sustained market turmoil which could also negatively impact our business, financial condition, and cash flows. The Company has continually incurred losses and has an accumulated deficit. The Company continues to rely on current investors and the public markets to finance these losses through debt and/or equity issuances. These operating losses and the outstanding debt create substantial doubt about the Company’s ability to continue as a going concern for a period of twelve months from the date these interim condensed consolidated financial statements are issued. The Company is implementing plans to achieve cost savings and other strategic objectives to address these conditions. The Company expects cost savings from consolidation of third-party manufacturers, optimizing shipping and warehousing as well as overhead cost reductions. The business is focused on growing the most profitable channels while reducing investments in areas that are not expected to have long-term benefits. The accompanying interim condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and payments of liabilities in the ordinary course of business. Accordingly, the interim condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of and classification of liabilities that may result should the Company be unable to continue as a going concern.

Restricted cash

The Company is required to maintain a restricted cash balance of less than \$0.1 million and \$0.2 million as of March 31, 2020 and December 31, 2019 associated with a business credit card and credit card clearance operations.

Allowance for doubtful accounts

Accounts receivable primarily consist of unpaid buyer invoices from the Company's Retail customers and credit card payments receivable from third-party credit card processing companies. Accounts receivable is stated at the amount billed to customers, net of point of sale and cash discounts. The Company recorded a less than \$0.1 million allowance for doubtful accounts at March 31, 2020 and December 31, 2019.

Goodwill

Goodwill of \$18.6 million was recognized as of December 31, 2019 in connection with the Halo Acquisition (see "Note 2 – Acquisitions"). No impairment was recognized as of March 31, 2020 and December 31, 2019.

Intangible assets

The Company acquired an intangible asset related to the Houndog license with the acquisition of Bona Vida on May 6, 2019. The Company fully impaired the asset as of December 31, 2019 as the Company terminated the contract on January 13, 2020. The Company also acquired intangible assets with the acquisition of Halo on December 19, 2019. There were no indicators of impairment of intangible assets as of March 31, 2020.

Leases

The Company's leases relate to our corporate offices and warehouses. Effective January 1, 2019, the Company adopted the FASB guidance on leases ("Topic 842"), which requires leases with durations greater than twelve months to be recognized on the balance sheet. The Company adopted Topic 842 using the modified retrospective transition approach.

Redeemable convertible preferred stock

The Company's Redeemable Series E Convertible Preferred Stock (the "Series E") contains redemption provisions that require it to be presented outside of stockholders' deficit. Changes in the redemption value of the redeemable convertible preferred stock, if any, are recorded immediately in the period occurred as an adjustment to additional paid-in capital in the condensed consolidated balance sheets.

Income taxes

The Company was incorporated on May 6, 2019. Prior to this date, the Company operated as a flow through entity for state and United States federal tax purposes. The Company files a U.S. federal and state income tax return including its wholly owned subsidiaries. As of March 31, 2020 and December 31, 2019, the Company does not have any uncertain income tax positions.

Revenue

The Company recognizes revenue to depict the transfer of promised goods to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods in accordance with the provisions of ASC 606, "Revenue from Contracts with Customers".

Fair value of financial instruments

The warrant derivative liability is remeasured at fair value each reporting period and represents a Level 3 financial instrument.

Recently issued accounting pronouncements

The Company has reviewed the Accounting Standards Update (ASU), accounting pronouncements and interpretations thereof issued by the FASB that have effective dates during the reporting period and in future periods.

Recently adopted:

ASU 2018-13 “Fair Value Measurement”

In August 2018, the FASB issued ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement.” This new guidance removes certain disclosure requirements related to the fair value hierarchy, modifies existing disclosure requirements related to measurement uncertainty and adds new disclosure requirements. The new disclosure requirements include disclosing the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. This new guidance was effective for the Company beginning on January 1, 2020 and did not have a material impact on the Company’s condensed consolidated financial statements.

ASU 2018-15 “Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40)”

In August 2018, the FASB issued ASU 2018-15 “Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)” to amend ASU 2015-05 in an effort to provide additional guidance on the accounting for costs implementation activities performed in a cloud computing arrangement that is a service contract. The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this update. The amendments in this update also require the entity to present the expense related to the capitalized implementation costs in the same line item in the statement of income as the fees associated with the hosting element (service) of the arrangement and classify payments for capitalizing implementation costs in the statement of cash flows in the same manner as payments made for fees associated with the hosting element. The entity is also required to present the capitalized implementation costs in the statement of financial position in the same line item that a prepayment for the fees of the associated hosting arrangement would be presented. The new standard was effective for the Company on January 1, 2020. The Company has no internal use software.

Issued but not Yet Adopted:

ASU 2016-13 “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments-Credit Losses (Topic 326)” Codification Improvements to Financial Instruments-Credit Losses (Topic 326). Subsequent updates were released in November 2018 (ASU No. 2018-19), November 2019 (ASU No. 2019-10 and 2019-11) and February 2020 (ASU No. 2020-02) that provided additional guidance on this Topic. This ASU introduces the current expected credit loss (CECL) model, which will require an entity to measure credit losses for certain financial instruments and financial assets, including trade receivables. Under this update, on initial recognition and at each reporting period, an entity will be required to recognize an allowance that reflects the entity’s current estimate of credit losses expected to be incurred over the life of the financial instrument. The standard is effective for the Company on January 1, 2023, and early adoption is permitted. The Company is currently evaluating the impact the new standard will have on its consolidated financial statements.

ASU 2019-12 “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes”

In December 2019, the FASB issued ASU No. 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes” (“ASU 2019- 12”), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures.

The Company has carefully considered other new pronouncements that alter previous generally accepted accounting principles and does not believe that any new or modified principles will have a material impact on the Company’s reported balance sheets or operations in 2020.

Note 2 - Acquisitions**Acquisition of Halo**

On October 15, 2019, the Company entered into a Stock Purchase Agreement (the “Agreement”) to acquire Halo and the acquisition (the “Halo Acquisition”) was completed on December 19, 2019 (“Halo Acquisition Date”) for \$38.2 million. The consideration was subject to customary adjustments for Halo’s net working capital, cash, and indebtedness, and consisted of a combination of cash consideration (\$20.5 million), shares of the Company’s common stock (\$3.9 million), seller notes (\$15.0 million), and seller warrants (\$0.3 million).

The Halo Acquisition was accounted for under the purchase method of accounting, and accordingly, the purchase price was allocated to the identifiable assets and liabilities based on their estimated fair values at the Halo Acquisition Date. The determination of the preliminary purchase price allocation to specific assets acquired and liabilities assumed is incomplete for Halo. The preliminary purchase price allocation may change in future periods as the fair value estimates of assets and liabilities and the valuation of the related tax assets and liabilities are completed. The preliminary purchase price allocation is summarized as follows:

| <i>Dollars in thousands</i> | |
|-----------------------------|---------------|
| Total Purchase Price | \$ 38,244 |
| <u>Assets</u> | |
| Property and equipment | \$ 260 |
| Accounts receivable | 5,540 |
| Inventories | 5,160 |
| Intangible assets | 14,690 |
| Other assets | 329 |
| Total assets | <u>25,979</u> |
| <u>Liabilities</u> | |
| Accounts payable | 4,628 |
| Accrued liabilities | 1,553 |
| Long term liability | 168 |
| Total liabilities | <u>6,349</u> |
| Net assets acquired | <u>19,630</u> |
| Goodwill | \$ 18,614 |

The intangible assets acquired relate to customer relationships and trade name. Acquired customer relationships are finite-lived intangible assets and are amortized over their estimated life of 7 years using the straight-line method, which approximates the customer attrition rate, reflecting the pattern of economic benefits associated with these assets.

All of Halo’s products and services are sold under the “Halo” trade name, and each major product is identified by this trade name. The trade name is a finite-lived intangible asset and is being amortized over its estimated life of 15 years using the straight-line method, which reflects the pattern of economic benefits associated with this asset.

The excess of purchase price over the fair value amounts assigned to the identifiable assets acquired and liabilities assumed represents goodwill from the acquisition. The Company believes the factors that contributed to goodwill include the acquisition of a talented workforce and administrative cost synergies. The Company does not expect any portion of this goodwill to be deductible for tax purposes. See “Note 9 – Intangible assets, royalties and goodwill” for more information.

Reverse Acquisitions of Better Choice and Bona Vida by TruPet

On May 6, 2019, the Better Choice Company completed the reverse acquisitions of TruPet and Bona Vida whereby TruPet is considered the acquirer for accounting and financial reporting purposes. The acquisitions were accounted for as asset acquisitions.

The purchase price for Better Choice Company was \$37.9 million and has been allocated based on an estimate of the fair value of Better Choice Company’s assets acquired and liabilities assumed with the remainder recorded as an expense. The loss on acquisition of Better Choice Company’s net liabilities is \$39.6 million.

The purchase price for Bona Vida was \$108.6 million and the estimated purchase price has been allocated based on an estimate of the fair value of assets acquired and liabilities assumed. The excess of the purchase price over the net assets acquired has been recorded as an expense. The loss on acquisition of Bona Vida's net assets is \$107.8 million.

On May 6, 2019, the fair value of assets and liabilities acquired was:

| <i>Dollars in thousands</i> | Better Choice Company | Bona Vida | Total |
|---|----------------------------------|---------------------|---------------------|
| Total Purchase Price | \$ 37,949 | \$ 108,620 | \$ 146,569 |
| <i>Net Assets (Liabilities) Acquired:</i> | | | |
| <u>Assets</u> | | | |
| Cash and cash equivalents | 7 | 384 | 391 |
| Restricted cash | - | 25 | 25 |
| Accounts receivable | - | 69 | 69 |
| Inventories | - | 95 | 95 |
| Prepaid expenses and other current assets | 32 | 348 | 380 |
| Intangible assets | 986 | - | 986 |
| Other assets | - | 74 | 74 |
| Total Assets | 1,025 | 995 | 2,020 |
| <u>Liabilities</u> | | | |
| Warrant derivative liability | (2,130) | - | (2,130) |
| Accounts payable & accrued liabilities | (544) | (153) | (697) |
| Total Liabilities | (2,674) | (153) | (2,827) |
| Net Assets (Liabilities) Acquired | (1,649) | 842 | (807) |
| Loss on Acquisitions | \$ (39,598) | \$ (107,778) | \$ (147,376) |

Note 3 - Revenue

The Company has two categories of revenue channels: retail-partner based ("Retail"), which includes the sale of product to e-commerce retailers, pet specialty chains, grocery, mass and distributors, and direct to consumer, ("DTC"), which is focused on driving consumers to directly purchase product through our online web platform.

Retail-partner based channel

The Company's Retail channel includes the sale of goods to customers for resale. The Company records revenue net of discounts. Discounts primarily consist of early pay discounts, general percentage allowances and contractual trade promotions such as auto-ship subscriptions, and cooperative agreements with third party distributors. Retail-partner based customers are not subject to sales tax. The Retail channel represents 75% and 9% of consolidated revenue for the three months ended March 31, 2020 and 2019, respectively.

Shipping costs associated with moving finished products to customers through third party carriers were less than \$0.1 million for the three months ended March 31, 2020 and 2019. Such shipping costs are recorded as part of general and administrative expenses.

Direct to consumer channel

The Company's DTC products are offered through online stores where customers place orders directly for delivery across the United States. The DTC channel represents 25% and 91% of consolidated revenue of the Company for the three months ended March 31, 2020 and 2019, respectively.

The Company excludes sales taxes collected from revenues. Revenue is deferred for orders that have been paid for, but not shipped. Based on historical experience, the Company records an estimated liability for returns. Product returns were less than \$0.2 million and less than \$0.1 million for the three months ended March 31, 2020 and 2019, respectively.

The Company's DTC loyalty program enables customers to accumulate points based on spending. A portion of revenue is deferred at the time of the sale when points are earned and recognized when the loyalty points are redeemed. As of March 31, 2020 and December 31, 2019, customers held unredeemed loyalty program awards of \$0.2 million. The Company recognized revenue of less than \$0.2 million and \$0.1 million from the loyalty program for the three months ended March 31, 2020 and 2019, respectively.

The amount included in net sales related to recoveries of shipping costs from customers for direct to consumer sales was \$0.1 million and \$0.2 million for the three months ended March 31, 2020 and 2019, respectively.

Note 4 - Inventories

Inventories are summarized as follows:

| <i>Dollars in thousands</i> | March 31, 2020 | December 31, 2019 |
|----------------------------------|-----------------------|--------------------------|
| Food, treats and supplements | \$ 4,654 | \$ 6,425 |
| Inventory packaging and supplies | 589 | 504 |
| Other products and accessories | 29 | 73 |
| | <u>5,272</u> | <u>7,002</u> |
| Inventory reserve | (510) | (422) |
| | <u>\$ 4,762</u> | <u>\$ 6,580</u> |

Note 5 – Prepaid expenses and other current assets

On August 28, 2019, the Company entered into a radio advertising agreement with iHeart and issued 1,000,000 shares of common stock valued at \$3.4 million for future advertising to be provided to the Company from August 2019 to August 2021. The Company issued an additional 125,000 shares valued at \$0.1 million on March 5, 2020 pursuant to the agreement. The agreement requires the Company to spend a minimum amount for talent and other direct iHeart costs. The Company committed to using \$1.7 million of the media inventory by August 28, 2020, with the remainder of the advertising available through August 28, 2021. Prepaid advertising was \$3.0 million as of March 31, 2020 and \$2.8 million as of December 31, 2019, respectively, with no expense incurred during the three months ended March 31, 2020. Of this amount, \$2.2 million and \$1.7 million is recorded in prepaid expenses and other current assets and \$0.8 million and \$1.1 million in other noncurrent assets as of March 31, 2020 and December 31, 2019, respectively.

Note 6 - Property and equipment

Property and equipment consist of the following:

| <i>Dollars in thousands</i> | March 31, 2020 | December 31, 2019 |
|------------------------------|-----------------------|--------------------------|
| Equipment | \$ 226 | \$ 222 |
| Furniture and fixtures | 163 | 138 |
| Computer software | 115 | 115 |
| Computer equipment | 5 | 4 |
| Total property and equipment | <u>509</u> | <u>479</u> |
| Accumulated depreciation | <u>(160)</u> | <u>(62)</u> |
| Net property and equipment | <u>\$ 349</u> | <u>\$ 417</u> |

Depreciation expense was less than \$0.1 million for the three months ended March 31, 2020 and 2019, respectively. Depreciation expense is included as a component of general and administrative expenses.

Note 7 – Accrued liabilities

Accrued liabilities consist of the following:

| <i>Dollars in thousands</i> | March 31, 2020 | December 31, 2019 |
|------------------------------|-----------------------|--------------------------|
| Accrued professional fees | \$ 2,118 | \$ 2,018 |
| Accrued sales tax | 1,056 | 1,233 |
| Accrued payroll and benefits | 686 | 671 |
| Accrued trade promotions | 166 | 357 |
| Accrued dividends | 290 | 256 |
| Accrued interest | 249 | 109 |
| Other | 5 | 77 |
| Total accrued liabilities | <u>\$ 4,570</u> | <u>\$ 4,721</u> |

Pursuant to waiver letters executed by each investor, the holders of the Company's Series E preferred stock agreed to waive their right to the distribution of dividends until October 22, 2020. Accrued dividends related to the Series E are \$0.3 million as of March 31, 2020 and December 31, 2019, respectively, and remain unpaid.

Note 8 – Operating leases

The table below presents certain information related to the lease costs for operating leases for the three months ended March 31, 2020 and 2019:

| <i>Dollars in thousands</i> | March 31, 2020 | March 31, 2019 |
|-----------------------------|-----------------------|-----------------------|
| Operating lease costs | \$ 109 | 44 |
| Variable lease costs | 8 | 8 |
| Total operating lease costs | <u>\$ 117</u> | <u>52</u> |

As of March 31, 2020, the weighted-average remaining operating lease term was 2.3 years and the incremental borrowing rate was 12.5% for operating leases recognized on our condensed consolidated balance sheets. Short term lease costs, excluding expenses relating to leases with a lease term of one month or less, were less than \$0.1 million for the three months ended March 31, 2020 and 2019, respectively.

Rent expense for each of the three months ended March 31, 2020 and 2019 was \$0.1 million.

Undiscounted cash flows

The table below reconciles the undiscounted cash flows for each of the first four years and total of the remaining years to the operating lease liabilities recorded on the condensed consolidated balance sheets.

Operating Leases

| | |
|--|-----------------|
| Remainder of 2020 | \$ 344 |
| 2021 | 459 |
| 2022 | 240 |
| 2023 | 5 |
| Total minimum lease payments | <u>\$ 1,048</u> |
| Less: amount of lease payments representing interest | <u>130</u> |
| Present value of future minimum lease payments | <u>\$ 918</u> |
| Less: current obligations under leases | <u>352</u> |
| Long-term lease obligations | <u>\$ 566</u> |

Note 9 – Intangible assets, royalties and goodwill

Intangible assets and royalties

The Company's intangible assets as of March 31, 2020 and December 31, 2019 consist of customer relationships and trade name acquired in the Halo Acquisition. The customer relationships and trade name are amortized over their estimated useful lives of 7 and 15 years respectively, using the straight-line method.

In May 2019, the Company acquired a licensing agreement with Authentic Brands and Elvis Presley Enterprises ("ABG") whereby Better Choice was to sell newly developed hemp-derived CBD products that will be marketed under the Elvis Presley Houndog name. The license agreement required an upfront equity payment of \$1.0 million worth of common stock and the license was recorded at its amortized cost which approximated fair value. The Company does not plan to use the license in the future and therefore terminated the agreement on January 13, 2020. The Company recognized an impairment charge for the net book value of the licensing agreement as of and for the year ended December 31, 2019.

As part of the termination, the Company: (1) paid ABG \$0.1 million in cash upon the signing of the termination agreement on January 13, 2020, (2) issued ABG 72,720 shares of the Company's common stock on January 13, 2020, (3) agreed to pay ABG \$0.1 million in cash in four equal installments each month from July 31, 2020 through October 31, 2020, (4) issued ABG \$0.6 million aggregate principal amount of Subordinated Promissory Notes (the "ABG Notes") effective January 20, 2020, and (5) issued ABG a common stock purchase warrant (the "ABG Warrants") equal to a fair value of \$150,000 on January 20, 2020. The terms of the ABG Notes match those of the Seller Notes, including convertible features exercisable any time after the date of issuance, a 10% interest rate and maturity date of June 30, 2023. The ABG Warrants are exercisable for 24 months from the date of the consummation of an IPO (as defined in the ABG Warrants) at an exercise price equal to the greater of (i) \$5.00 per share or (ii) the price at which the common stock was sold in the IPO. The fair values of the ABG Notes and ABG Warrants on their issuance dates were \$0.6 million and less than \$0.1 million, respectively.

The total cost of the contract termination noted above is measured at fair value of \$1.1 million and is included in general and administrative expense.

The Company's intangible assets are as follows:

Dollars in thousands

| | Weighted-Average Remaining Useful Lives (in years) | March 31, 2020 | | |
|-------------------------|--|-----------------------------|-----------------------------|------------------------|
| | | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Customer relationships | 7 | \$ 7,500 | \$ (306) | \$ 7,194 |
| Trade name | 15 | 7,190 | (125) | 7,065 |
| Total intangible assets | | \$ 14,690 | \$ (431) | \$ 14,259 |

| | Weighted-Average Remaining Useful Lives (in years) | December 31, 2019 | | |
|-------------------------|--|-----------------------------|-----------------------------|------------------------|
| | | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Customer relationships | 7 | \$ 7,500 | \$ (35) | \$ 7,465 |
| Trade name | 15 | 7,190 | (14) | 7,176 |
| Total intangible assets | | \$ 14,690 | \$ (49) | \$ 14,641 |

The Company did not have intangible assets or amortization expense during the three months ended March 31, 2019.

The estimated future amortization of intangible assets over the weighted average remaining useful life of 10 years is as follows:

Dollars in thousands

Years ended December 31,

| | | |
|-------------------|----|---------------|
| Remainder of 2020 | \$ | 1,169 |
| 2021 | | 1,551 |
| 2022 | | 1,551 |
| 2023 | | 1,551 |
| 2024 | | 1,551 |
| Thereafter | | 6,886 |
| | \$ | <u>14,259</u> |

Note 10 - Line of credit, short term loan and notes payable

The components of the Company's debt consist of the following:

| | March 31, 2020 | | | December 31, 2019 | | |
|--|------------------|------|----------------|-------------------|------|----------------|
| | Amount | Rate | Maturity Date | Amount | Rate | Maturity Date |
| Short term loan, net | \$ 17,023 | | (1) 12/19/2020 | \$ 16,061 | | (1) 12/19/2020 |
| Line of credit, net | 5,366 | | (1) 12/19/2020 | 4,819 | | (1) 12/19/2020 |
| November 2019 notes payable, net (November 2019 Notes) | 2,839 | 10% | 11/4/2021 | 2,769 | 10% | 11/4/2021 |
| December 2019 senior notes payable, net (Seller Notes) | 9,494 | 10% | 6/30/2023 | 9,191 | 10% | 6/30/2023 |
| December 2019 junior notes payable, net (Seller Notes) | 4,565 | 10% | 6/30/2023 | 4,410 | 10% | 6/30/2023 |
| ABG Notes | 661 | 10% | 6/30/2023 | - | - | - |
| Total debt | <u>\$ 39,948</u> | | | <u>\$ 37,250</u> | | |

(1) Interest at Bank of Montreal Prime plus 8.05%

Short term loan and line of credit

On the Halo Acquisition Date, the Company entered into a Loan Facilities Agreement (the "Facilities Agreement") by and among the Company, as the borrower, the several lenders from time to time parties thereto (collectively, the "Lenders") and a private debt lender, as agent (the "Agent"). The Facilities Agreement provides for (i) a term loan facility of \$20.5 million and (ii) a revolving demand loan facility not to exceed \$7.5 million.

As of March 31, 2020 and December 31, 2019, the term loan outstanding was \$20.5 million net of debt issuance costs and discounts of \$3.5 million and \$4.4 million, respectively, and the line of credit outstanding was \$5.5 million and \$5.0 million, respectively, net of debt issuance costs of \$0.1 million and \$0.2 million, respectively. The debt issuance costs and discounts are amortized using the effective interest method. The term loan and line of credit are scheduled to mature on December 19, 2020 or such earlier date on which a demand is made by the Agent or any Lender.

Certain directors and shareholders of the Company ("Shareholder Guarantors") agreed to enter into a Continuing Guaranty (the "Shareholder Guaranties") in the amount of \$20.0 million and guarantee the Company's obligations under the agreement. As consideration for the Shareholder Guaranties, the Company agreed to issue common stock purchase warrants to the Shareholder Guarantors in an amount equal to 0.325 warrants for each dollar of debt under the agreement guaranteed by such Shareholder Guarantors (the "Guarantor Warrants"). The Guarantor Warrants are exercisable any time from the date of issuance for up to 24 months from the date of the consummation of an IPO (as defined therein) at an exercise price \$1.82 per share. The Guarantor Warrants have a fair value of \$4.2 million on the date of issuance.

As of March 31, 2020 and December 31, 2019, the Company was in compliance with its debt covenants.

Notes payable

On November 4, 2019, the Company issued \$2.8 million of subordinated convertible notes (the “November 2019 Notes”) which carry a 10% interest and mature on November 4, 2021. The interest is payable in arrears on March 31, June 30, September 30 and December 31 of each year. Payment in kind (“PIK”) interest is payable by increasing the aggregate principal amount of the November 2019 Notes. The November 2019 Notes are exercisable any time from the date of issuance and carry a conversion price of the lower of (a) \$4.00 per share or (b) the IPO Price. The IPO Price is the price at which the Company’s stock will be sold at a future IPO. The Company issued incremental warrants associated with the November 2019 Notes with a fair value of less than \$0.1 million.

The November 2019 Notes were amended on January 6, 2020. The amendment incorporates only the preferable terms of the Seller Notes as noted below, and all other terms and provisions of the November 2019 Note remains in full force and effect. Pursuant to the amended November 2019 Notes, PIK interest shall be payable by increasing the aggregate principal amount of the November 2019 Notes. As amended, for so long as any event of default (as defined in the November 2019 Note) exists, interest shall accrue on the November 2019 Note principal at the default interest rate of 12.0% per annum, and such accrued interest shall be immediately due and payable.

As of March 31, 2020 and December 31, 2019, the aggregate amount of November 2019 Notes outstanding was \$2.8 million, respectively, net of discounts of less than \$0.1 million, respectively. The discounts are amortized over the life of the November 2019 Notes using the effective interest method.

On December 19, 2019, the Company issued \$10.0 million and \$5.0 million in senior subordinated convertible notes (the “Senior Seller Notes”) and junior subordinated convertible notes (the “Junior Seller Notes”), jointly the “Seller Notes” to the sellers of Halo. The Seller Notes are exercisable any time from the date of issuance and carry a 10% interest rate and mature on June 30, 2023. Interest is payable in arrears on March 31, June 30, September 30 and December 31 of each year. PIK interest is payable by increasing the aggregate principal amount of the Seller Notes. The Seller Notes carry a conversion price of the lower of (a) \$4.00 per share or (b) the IPO Price. As of March 31, 2020, the Senior Seller Notes outstanding was \$9.5 million, net of discounts of \$0.8 million, and the Junior Seller Notes outstanding were \$4.6 million, net of discounts of \$0.5 million. As of December 31, 2019, the Senior Seller Notes outstanding was \$9.2 million, net of discounts of \$0.9 million, and the Junior Seller Notes outstanding were \$4.4 million, net of discounts of \$0.5 million. The discounts are being amortized over the life of the Seller Notes using the effective interest method.

On January 13, 2020, the Company issued \$0.6 million in senior subordinated convertible notes to ABG. The ABG Notes are exercisable any time from the date of issuance and carry a 10% interest rate and mature on June 30, 2023. The interest is payable in arrears on March 31, June 30, September 30 and December 31 of each year. PIK interest is payable by increasing the aggregate principal amount of the ABG Notes. The ABG Notes carry a conversion price of the lower of (a) \$4.00 per share or (b) the IPO Price. As of March 31, 2020, the ABG Notes outstanding was \$0.7 million, including a debt premium of less than \$0.1 million. The debt premium is being amortized over the life of the ABG Notes using the effective interest method.

The fair values of the November 2019, Senior Seller Notes and Junior Seller Notes and ABG Notes are based on observable inputs, including quoted market prices (Level 2). The fair values of the November 2019, Senior Seller Notes and Junior Seller Notes and ABG Notes were approximately \$2.8 million, \$9.5 million \$4.6 million and \$0.7 million, respectively, as of March 31, 2020. The remaining borrowings outstanding have a carrying value that approximates fair value due to their short term nature.

As of March 31, 2020 and December 31, 2019, the Company was in compliance with all covenant requirements and there were no events of default. All notes payable are subordinated to the short term loan and line of credit.

Interest expense of approximately \$2.3 million was recorded in the condensed consolidated statements of operations and comprehensive loss related to the line of credit, November 2019 and Seller Notes, and other indebtedness for the three months ended March 31, 2020. Interest expense of less than \$0.1 million was recorded in the consolidated statements of operations and comprehensive loss related to the line of credit, and other indebtedness for the three months ended March 31, 2019.

Note 11 – Warrant derivative liability

On December 12, 2018, the Company closed a private placement offering (the “December Offering”) of 1,425,641 units (the “Units”), each unit consisting of (i) one share of the Company’s common stock and (ii) a warrant to purchase one half of a share of common stock. The Units were offered at a fixed price of \$1.95 per Unit for gross proceeds of \$2.8 million. Costs associated with the December Offering were \$0.1 million, and net proceeds were \$2.7 million. The December Offering generated \$2.6 million of net proceeds that were received by the Company during the year ended December 31, 2018 for the sale of 1,400,000 Units, and \$0.1 million of the net proceeds were received on January 8, 2019 for the sale of 25,641 Units. The warrants are exercisable anytime from the date of issuance over a two-year period at the initial exercise price of \$3.90 per share.

The warrants include an option to settle in cash in the event of a change of control of the Company and a reset feature if the Company issues shares of common stock with a strike price below \$3.90 per share, which requires the Company to record the warrants as a derivative liability. The Company calculates the fair value of the derivative liability through a Monte Carlo Model that values the warrants based upon a probability weighted discounted cash flow model.

During January 2020, the Company issued shares below the exercise price of warrants acquired on May 6, 2019. Pursuant to the warrant agreement, the Company issued an additional 1,003,232 warrants on March 17, 2020 to certain of its warrant holders at an exercise price of \$1.62 and modified the exercise price of the existing warrants to \$1.62.

The warrants are valued based on future assumptions and, as the reset trigger was a known event on December 31, 2019, the Company included the trigger in the valuation performed during the period ended December 31, 2019.

The following schedule shows the change in fair value of the warrant derivative liability as of March 31, 2020 and December 31, 2019:

Dollars in thousands

| | Warrant derivative liability |
|--|-------------------------------------|
| Balance as of December 31, 2019 | \$ 2,220 |
| Change in fair value of derivative liability | (1,379) |
| Balance as of March 31, 2020 | <u>\$ 841</u> |

| | <u>May 6, 2019</u> | <u>December 31, 2019</u> | <u>March 31, 2020</u> |
|-------------------------------------|--------------------|--------------------------|-----------------------|
| Warrant derivative liability | | | |
| Stock price | \$ 6.00 | \$ 2.70 | \$ 1.15 |
| Exercise price | \$ 3.90 | \$ 1.62 | \$ 1.62 |
| Expected remaining term (in years) | 1.60 - 1.68 | 0.95 - 1.02 | 0.722 |
| Volatility | 64% | 69% | 95% |
| Risk-free interest rate | 2.39% | 1.60% | 0.16% |

The valuation of the warrants is subject to uncertainty as a result of the unobservable inputs. If the volatility rate or risk-free interest rate were to change, the value of the warrants would be impacted.

As of March 31, 2020, the Company would be required to pay \$0.2 million if all warrants were settled in cash or issue 1,716,055 shares if all warrants were settled in shares.

Note 12 – Other liabilities

As of March 31, 2020 and December 31, 2019, other liabilities consisted of \$0.2 million related to a reserve for a potential customer dispute settlement and \$0.5 million as a prepayment for the issuance of common stock.

Note 13 – Commitments and contingencies

In the normal course of business, the Company may be subject to various legal claims and contingencies that arise, including claims related to commercial transactions, product liability, health and safety, taxes, environmental matters, employee matters and other matters. Litigation is subject to numerous uncertainties and the outcome of individual claims and contingencies is not predictable. It is possible that some legal matters for which reserves have or have not been established could result in an unfavorable outcome for the Company and any such unfavorable outcome could be of a material nature or have a material adverse effect on our consolidated financial condition, results of operations and cash flows. Management is not aware of any claims or lawsuits that may have a material adverse effect on the consolidated financial position or results of operations of the Company.

The Company had no purchase obligations as of March 31, 2020 and December 31, 2019.

Note 14 - Stockholders' deficit

As a result of the reverse acquisition of Better Choice Company and Bona Vida by TruPet in May 2019, the historical TruPet members' equity (units and incentive units) have been re-cast to reflect the equivalent Better Choice common stock for all periods presented after the transaction. Prior to the transaction in May 2019, TruPet was a limited liability company and as such, the concept of authorized shares was not relevant.

A summary of equity transactions for the three months ended March 31, 2020 and 2019 is set forth below:

On February 12, 2019, the Company issued 69,115 Series A Preferred Units in a private placement at \$2.17 per unit. The proceeds were approximately \$0.2 million, net of share issuance costs.

On January 2, 2020, the Company issued 308,642 shares of common stock to an investor for net proceeds of \$0.5 million, net of issuance costs of less than \$0.1 million.

On January 13, 2020, the Company issued 72,720 shares of common stock to ABG in connection with the termination of a licensing agreement discussed in "Note 9 – Intangible assets, royalties and goodwill".

On March 3, 2020, the Company issued 450,000 shares of restricted common stock to three nonemployee directors in return for services provided in their capacity as directors.

On March 5, 2020, the Company issued 125,000 shares of common stock for advertising services.

On March 30, 2020, the Company issued 5,956 restricted shares of common stock to an officer of the Company.

The Company has reserved common stock for future issuance as follows:

| | <u>March 31, 2020</u> | <u>December 31, 2019</u> |
|--|-----------------------|--------------------------|
| Conversion of Series E | 1,760,903 | 1,760,903 |
| Exercise of options to purchase common stock | 7,891,833 | 7,791,833 |
| Warrants to purchase common stock | 18,046,310 | 16,981,854 |
| Notes payable | 4,722,795 | 4,437,500 |
| Total | <u>32,421,841</u> | <u>30,972,090</u> |

Warrants

On May 6, 2019, in connection with the May Acquisitions, the Company acquired 712,823 warrants to purchase common stock with a weighted average exercise price of \$3.90. The Company also issued 5,744,991 warrants with an exercise price of \$4.25 on May 6, 2019 as part of the PIPE. Additionally, in connection with the PIPE transaction, the Company issued 220,539 warrants to brokers with an exercise price of \$3.00. The warrants are exercisable on the date of issuance and expire 24 months from the date of the consummation of a future IPO. On September 17, 2019, a Company advisor was issued 2,500,000 warrants with an exercise price of \$0.10 and 1,500,000 warrants with an exercise price of \$10.00. The warrants are exercisable as follows: 1,250,000 of the warrants with the \$0.10 exercise price are exercisable on the earlier of the twelve-month anniversary of the issuance date or immediately prior to a change in control subject to the advisor's continued service to the Company; the remaining 1,250,000 of the warrants with the \$0.10 exercise price and the 1,500,000 warrants with the \$10.00 exercise price are exercisable on the earlier of the eighteen-month anniversary of the issuance date or immediately prior to a change in control subject to the advisor's continued service to the Company.

On November 4, 2019, the Company issued 11,000 warrants in connection with the November 2019 Notes. The warrants are exercisable on the date of issuance and expire 24 months from the date of the consummation of a future initial public offering (“IPO”) at an exercise price equal to the greater of (i) \$5.00 per share or (ii) the price at which the common stock of the Company was sold in the IPO.

On December 19, 2019, the Company issued 937,500 Seller Warrants in connection with the Seller Notes. The warrants are exercisable on the date of issuance and expire 24 months from the date of the consummation of a future initial public offering (“IPO”) at an exercise price equal to the greater of (i) \$5.00 per share or (ii) the price at which the common stock of the Company was sold in the IPO.

On December 19, 2019 the Company issued 6,500,000 warrants with an exercise price of \$1.82 in conjunction with the short term loan (Guarantor Warrants). The warrants are exercisable on the date of issuance and expire 24 months from the date of the consummation of a future IPO.

On March 17, 2020, 1,003,232 warrants were issued to holders of warrants issued on May 6, 2019 due to dilutive impact of subsequent issuances.

| | Warrants | Weighted Average Exercise Price |
|---|-------------------|--|
| Warrants outstanding at December 31, 2019 | 16,981,854 | \$ 3.23 |
| Issued | 1,064,456 | 1.81 |
| Exercised | - | - |
| Warrants outstanding at March 31, 2020 | <u>18,046,310</u> | <u>\$ 3.05</u> |

The intrinsic value of outstanding warrants is \$2.6 and \$12.2 million as of March 31, 2020 and December 31, 2019, respectively.

Note 15 - Share-based compensation

The Company recognizes compensation cost for stock awards with only service conditions that have a graded vesting schedule on a straight-line basis over the service period for each separate vesting portion of the award as if the award was, in-substance, multiple awards. During the three months ended March 31, 2020 and 2019, respectively, \$2.5 million and \$0.2 million of share-based compensation expense was recognized.

The Company acquired the Better Choice Company Inc. 2019 Incentive Award Plan (the “2019 Plan”) which became effective as of April 29, 2019. The 2019 Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, other stock or cash-based awards or a dividend equivalent award (each an “Award”). On November 11, 2019, the Company received shareholder approval for the Amended and Restated 2019 Incentive Award Plan (the “Amended 2019 Plan”). Under the Amended 2019 Plan, the number of option awards available for issuance increased from 6,000,000 to 9,000,000 on December 19, 2019.

During the three months ended March 31, 2020, the Company granted 100,000 stock option awards. There were no stock option awards granted during the three months ended March 31, 2019.

Note 16 - Employee benefit plans

The Company made contributions to its qualified defined contribution 401(k) plan and recognized expense of less than \$0.1 million during the three months ended March 31, 2020 and March 31, 2019, respectively.

Note 17 - Related party transactions

Marketing services

A company controlled by a member of the board of directors provides online traffic acquisition marketing services for the Company. The Company incurred immaterial amounts for their services during the three months ended March 31, 2020 and 2019, respectively. The service contract has a 30-day termination clause. Outstanding balances were less than \$0.1 million as of March 31, 2020 and December 31, 2019. The outstanding balance is included in accounts payable.

Notes payable

The Company issued \$1.4 million of subordinated convertible notes to a member of the board of directors during December 2019. The note remains outstanding as of March 31, 2020. Interest related to the subordinated convertible notes was less than \$0.1 million for the three months ended March 31, 2020.

Halo transaction bonus and notes payable

The Company issued \$0.1 million of subordinated convertible notes to an executive in satisfaction of a transaction bonus as per his employment agreement upon the close of the Halo Acquisition in December 2019. These convertible notes are outstanding as of March 31, 2020.

Note 18 - Income taxes

For the three months ended March 31, 2020 the Company recorded no current or deferred income tax expense.

The Company's effective tax rate of 0% differs from the United States federal statutory rate of 21% primarily because the Company's losses have been fully offset by a valuation allowance due to uncertainty of realizing the tax benefit of net operating losses ("NOLs") for the three months ended March 31, 2020 and year ended December 31, 2019.

The Company's deferred tax assets attributed to net operating loss carryforwards begin to expire in 2027.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The Company continues to examine the impact that the CARES Act may have on its business but does not expect the impact to be material.

The ultimate realization of deferred taxes is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. On the basis of management's assessment, a valuation allowance equal to the net deferred tax assets was recorded since it is more likely than not that the deferred tax assets will not be realized.

The Company has no accrued interest and penalties related to uncertain income tax positions. We do not anticipate that the amount of unrecognized tax benefits will significantly increase or decrease within the next twelve months. As of March 31, 2020 and December 31, 2019, the Company does not have any significant uncertain tax positions. If incurred, the Company would classify interest and penalties on uncertain tax positions as income tax expense.

The Company's income tax returns generally remain open for examination for three years from the date filed with each taxing jurisdiction.

For the three months ended March 31, 2019, the Company was a Limited Liability Company, taxed as a partnership. Thus, all of the Company's income and losses flowed through to the owners. The company converted to a C-Corporation, subject to income tax on May 6, 2019, the date of the May Acquisitions.

Note 19 - Major suppliers

The Company sourced approximately 48% of its inventory purchases from two vendors for the three months ended March 31, 2020. The Company sourced approximately 69% of its inventory purchases from one vendor for the three months ended March 31, 2019.

Note 20 - Concentration of credit risk and off-balance sheet risk

Cash and cash equivalents and accounts receivable potentially subject the Company to concentrations of credit risk. At March 31, 2020 and December 31, 2019 the Company's cash and cash equivalents were deposited in accounts at several financial institutions. The Company maintains its cash and cash equivalents with high-quality, accredited financial institutions and, accordingly, such funds are subject to minimal credit risk. The Company may maintain balances with financial institutions in excess of federally insured limits.

The Company has not experienced any losses historically in these accounts and believes it is not exposed to significant credit risk in its cash and cash equivalents. The Company has no significant off-balance sheet concentrations of credit risk, such as foreign currency exchange contracts, option contracts, or other hedging arrangements. Accounts receivable from two customers represented 79% of accounts receivable as of March 31, 2020. Accounts receivable from one customer represented 44% of accounts receivable at December 31, 2019.

Four customers represented 70% of gross sales at March 31, 2020. None of the Company's customers represented over 10% of gross sales for the three months ended March 31, 2019.

Note 21 - Net loss per share

Basic and diluted net loss per share attributable to common stockholders is presented using the treasury stock method. Under the treasury stock method, the amount the employee must pay for exercising stock options and the amount of compensation cost for future service that has not yet been recognized are collectively assumed to be used to repurchase shares.

Basic and diluted net loss per share is calculated by dividing net and comprehensive loss attributable to common stockholders by the weighted-average shares outstanding during the period. For the three months ended March 31 2020 and 2019, the Company's basic and diluted net and comprehensive loss per share attributable to common stockholders are the same, because the Company has generated a net loss to common stockholders and common stock equivalents are excluded from diluted net loss per share as they have an antidilutive impact.

The following table sets forth basic and diluted net loss per share attributable to common stockholders for the three months ended March 31, 2020 and 2019:

Dollars in thousands except per share amounts

| | Three Months Ended March 31, | |
|---|-------------------------------------|-------------------|
| | 2020 | 2019 |
| Common stockholders | | |
| Numerator: | | |
| Net and comprehensive loss | \$ (9,454) | \$ (2,776) |
| Less: Preferred stock dividends | 34 | - |
| Net and comprehensive loss available to common stockholders | <u>\$ (9,488)</u> | <u>\$ (2,776)</u> |
| Denominator: | | |
| Weighted average shares used in computing net loss per share attributable to common stockholders, basic and diluted | 48,526,396 | 11,674,127 |
| Net loss per share attributable to common stockholders, basic and diluted | <u>\$ (0.20)</u> | <u>\$ (0.24)</u> |

Note 22 - Subsequent events

COVID-19 and PPP Loan

The extent of COVID-19's effect on our operational and financial performance will depend on future developments, including the duration, spread and intensity of the outbreak, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on our business. However, if the pandemic continues to evolve into a severe worldwide health crisis, the disease could have a material adverse effect on our business, results of operations, financial condition and cash flows and adversely impact the trading price of our common stock. Uncertainties regarding the economic impact of COVID-19 is likely to result in sustained market turmoil, which could also negatively impact our business, financial condition and cash flows.

On April 10, 2020, TruPet, LLC, a wholly owned subsidiary of Better Choice Company Inc., was granted a loan from JPMorgan Chase Bank, N.A. in the aggregate amount of \$0.4 million, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act. The loan, matures on April 6, 2022, and bears interest at a rate of 0.98% per annum, payable monthly commencing on November 6, 2020.

On May 7, 2020, Halo, Purely for Pets, Inc., a wholly owned subsidiary of Better Choice Company Inc., was granted a loan from JPMorgan Chase Bank, N.A. in the aggregate amount of \$0.4 million, pursuant to the PPP. The loan matures on May 6, 2022, and bears interest at a rate of 1.00% per annum, payable monthly commencing on November 7, 2020.

The Company intends to use the entire loan amounts for qualifying expenses. Under the terms of the PPP, certain amounts of the loans may be forgiven if they are used for qualifying expenses as described in the CARES Act.

Contract Termination

On June 1, 2020, the Company entered into a termination agreement (the "Termination Agreement") with an independent contractor who had previously been advising the Company in a consultant capacity. The termination agreement provided for the following, (i) the share purchase warrants dated September 17, 2019 entitling the former advisor to purchase 1,250,000 shares of common stock of the Company, at a price of \$0.10 per share (the "Tranche 1 Warrants") was amended to reduce the number of shares of common stock purchasable thereunder to 1,041,666 shares; (ii) the second share purchase warrants dated September 17, 2019 entitling the former advisor to purchase 1,250,000 shares of common stock at a price of \$0.10 per share were terminated and (iii) the share purchase warrants dated September 17, 2019 entitling the former advisor to purchase 1,500,000 shares of common stock at a price of \$10.00 per share were terminated.

The Tranche 1 Warrants (as amended pursuant to the Termination Agreement) are fully vested as of the date of the termination of the agreement and will remain exercisable until September 17, 2029 and may be exercised pursuant to the cashless exercise provisions thereof.

Furthermore, if the Company engages in any restricted business line as defined in the termination agreement, the Company will issue to the former advisor additional shares of common stock based on formulas intended to compensate the former advisor for the warrants that were reduced or terminated.

Convertible notes

On June 24, 2020, the Company issued \$1.5 million in subordinated convertible promissory notes (the "June 2020 Notes"). The June 2020 Notes are convertible into the Company's common stock at the election of the holders thereof at any time from the date of issuance. The June 2020 Notes are also convertible automatically upon the Company's consummation of an initial public offering or change in control (each as defined in the June 2020 Notes). The June 2020 Notes are convertible at conversion price of \$0.75 per share. The June 2020 Notes carry a 10% PIK interest rate which is payable in arrears on March 31, June 30, September 30 and December 31 of each year. PIK interest is payable by increasing the aggregate principal amount of the June 2020 Notes. The June 2020 Notes mature on June 30, 2023. The proceeds of the June 2020 Notes will be used for general working capital needs. The June 2020 Notes will rank on par with the Seller Notes and the ABG Notes.

In connection with the issuance of the June 2020 Notes, the Company also issued common stock purchase warrants (the "June 2020 Warrants") to purchase up to 2,000,000 shares of the Company's common stock at a price equal to \$1.25 per share. The June 2020 Warrants are exercisable on the date of issuance and expire on the earlier of (i) 84 months from the date of the consummation of an underwritten public offering or other uplist transaction or (ii) June 30, 2030.

In addition, on June 24, 2020, in connection with the issuance of the June 2020 Notes, (i) the November 2019 Notes, the Seller Notes and the ABG Notes were amended to lower the maximum conversion price applicable to the conversion of these notes from \$4.00 per share to \$3.75 per share, (ii) the maturity date of the November 2019 Notes was extended from November 4, 2021 to June 30, 2023, and (iii) the common stock purchase warrants to purchase 1,009,724 shares of the Company's common stock that were issued in connection with the November 2019 Notes, the Seller Notes and the ABG Notes were amended to lower the maximum exercise price applicable to these warrants from \$5.00 per share to \$4.25 per share.

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

The following discussion includes forward-looking statements about our business, financial condition and results of operations, including discussions about management's expectations for our business. These statements represent projections, beliefs and expectations based on current circumstances and conditions and in light of recent events and trends, and you should not construe these statements either as assurances of performance or as promises of a given course of action. Instead, various known and unknown factors are likely to cause our actual performance and management's actions to vary, and the results of these variances may be both material and adverse. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. The Company undertakes no obligation to publicly release the results of any revision to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Overview and Outlook

Better Choice Company is a rapidly growing animal health and wellness company committed to leading the industry shift toward pet products and services that help dogs and cats live healthier, happier and longer lives. We take an alternative, nutrition-based approach to animal health relative to conventional dog and cat food offerings, and position our portfolio of brands to benefit from the mainstream trends of growing pet humanization and consumer focus on health and wellness. We have a demonstrated, multi-decade track record of success selling trusted animal health and wellness products, and leverage our established digital footprint to provide pet parents with the knowledge to make informed decision about their pet's health. We sell the majority of our dog food, cat food and treats under the Halo and TruDog brands, which are focused, respectively, on providing sustainably sourced kibble and canned food derived from real whole meat, and minimally processed raw-diet dog food and treats.

Our diverse product offering has enabled us to penetrate multiple channels of trade, which we believe provides us with broad demographic exposure and appeal. We group these channels of trade into two distinct categories: retail-partner based ("Retail"), which includes the sale of product to e-commerce retailers, pet specialty chains, grocery, mass and distributors, and direct to consumer, ("DTC"), which is focused on driving consumers to directly purchase product through our online web platform. With regard to our channels of trade, the online purchase of pet food continues to take market share from brick and mortar retail, with Packaged Facts reporting internet shopping growing from 7% of U.S. pet product sales in 2015 to 22% in 2019. We believe that the trend toward online shopping will continue, and we will continue to reach a growing base of diverse customers through our DTC and e-commerce partner channels. Because our DTC strategy leverages one-on-one customer relationships and utilizes a targeted, data-driven approach to reach customers, we can gather valuable market and consumer behavior data that will allow our brands to be more competitive in the Retail channel. Conversely, we believe Halo's long-established relationships with key Retail customers will enable us to more effectively launch additional brands in the rapidly evolving retail environment. In addition, Halo has successfully launched into high growth markets in Asia. We intend to build on that success by expanding our products consumer reach through online marketplaces in these markets based on the DTC team experience.

Our marketing strategy is designed to educate consumers about the benefits of our portfolio and build awareness of our products. We deploy a broad set of marketing tools across media, mail and public relations to reach consumers through multiple touch points. Our marketing initiatives include the use of social marketing, social influence marketing, direct response marketing, inbound marketing, email marketing, Search Engine Optimization, Search Engine Marketing, radio, paid media (Facebook, Instagram & YouTube), affiliate marketing, and content marketing, among other proven strategies to generate and convert sales prospects into loyal, satisfied customers. In addition to directly targeting and educating consumers of our products, we partner with a number of online retailers such as Amazon, Chewy, PetSmart and Petco to develop joint sales and marketing initiatives to increase sales and acquire new customers.

Our established supply and distribution infrastructure allows us to develop, manufacture and commercialize new products generally in under 12 weeks. We will continue to deliver innovation to expand our product offerings and improve the health and well-being of pets. We leverage our proprietary behavioral database, customer feedback and analytics capabilities to derive valuable insights and launch new products. We recently launched a line extension of our Halo brand to offer vegan alternatives for our customers. In addition to our domestic capabilities, we have partnered with a leading Israeli research and development center, Cannasoul, to create a portfolio of indication-specific intellectual property focused on hemp-derived CBD formulations.

Our experienced management and board members have an established track record across the retail, consumer packaged goods, pet health and wellness industries, and they share a common vision to build the premier provider of health and wellness pet products.

The impact that COVID-19 will have on our consolidated results of operations is uncertain. As of May 2020, we have not seen a material drop in sales. We will continue to evaluate the nature and extent of COVID-19's impact to our business, consolidated results of operations, financial condition, and liquidity, and our results presented herein are not necessarily indicative of the results to be expected for future periods in 2020 or the full fiscal year. Management cannot predict the full impact of the COVID-19 pandemic on the Company's sourcing, manufacture and distribution of its products or to economic conditions generally, including the effects on consumer spending. The ultimate extent of the effects of the COVID-19 pandemic on the Company is highly uncertain and will depend on future developments, and such effects could exist for an extended period of time even after the pandemic might end.

Fiscal Year End

On May 21, 2019, the Company's board of directors approved a change in fiscal year end from August 31 to December 31 to align with the TruPet fiscal year end. The fiscal year change for the Company became effective with our 2019 fiscal year, which begins January 1, 2019 and ends December 31, 2019. Following its acquisition by the Company, Halo has adopted the same fiscal year end.

Components of Our Results of Operations

Net Sales

We sell pet food and related items, including private branded freeze dried and dehydrated raw foods, supplements, dental care products for dogs, and treats and accessories for dogs, cats, and pet parents. We sell our products through pet specialty retailers, online retailers, our online portal directly to our consumers and through retail partners in Asia. We have a deep portfolio of premium animal health and wellness products for dogs and cats sold under the Halo, TruDog, TruGold, Rawgo! and Orapup brand names across multiple forms and classes, including foods, treats, toppers, dental products, chews, tinctures, grooming products and supplements.

Key factors that affect our future sales growth include: our continued expansion in Retail and other specialty channels, international expansion and our new product introduction. We recognize revenue to depict the transfer of promised goods to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has two categories of revenue channels: Retail, which includes the sale of product to e-commerce retailers, pet specialty chains, grocery, mass and distributors, and DTC, which is focused on driving consumers to directly purchase product through our online web platform.

A significant portion of the Company's revenue is derived from the DTC channel which represents 25% of consolidated revenue; the Retail channel represents 75% of consolidated revenue for the three months ended March 31, 2020. The majority of these sales transactions are single performance obligations that are recorded when control is transferred to the customer. DTC revenue is recognized at the time the order is shipped to the DTC customers. For the majority of Retail customers we recognize revenue when the product is shipped from our distribution centers, when control transfers. For the remaining customers, we defer revenue based on average shipping times to those customers. We record a revenue reserve based on past return rates to account for customer returns.

For the Company's DTC loyalty program, a portion of revenue is deferred at the time of the sale as points are earned based on the relative stand-alone selling price, and not recognized until the redemption of the loyalty points, which do not expire. The Company has applied a redemption rate based on historical experience.

Cost of Goods Sold and Gross Profit

Our products are manufactured to our specifications by contracted manufacturing plants using raw materials sourced by our contracted manufacturers. We design our packaging in-house for manufacture by third parties, and packaging is shipped directly to contracted manufacturing plants. We work with our co-manufacturers to secure a supply of raw materials that meet our specifications, such as USA farm-raised beef, GAP 2 certified cage-free whole chicken and associated broths, GAP 2 certified cage-free whole turkey and associated broths, MSC certified wild-caught salmon and MSC certified wild-caught whitefish and associated broths, and select non-GMO fruits and vegetables, such as peas, sweet potatoes and lentils. In addition to procuring raw materials that meet our formulation requirements, our contract manufacturers manufacture, test and package our products. In addition, we intend to directly source the hemp derived CBD oils used in our products from select suppliers to ensure product quality and traceability of the ingredient. CBD oils are shipped to our warehouse and forwarded to our contracted manufacturing partners as needed for production.

Cost of goods sold consists primarily of the cost of product obtained from third-party contract manufacturing plants, packaging materials, CBD oils directly sourced by the Company, inventory freight for shipping product from third-party contract manufacturing plants to the Company's warehouse and third party fulfillment and royalties. We review inventory on hand periodically to identify damages, slow moving inventory, and/or aged inventory. Based on the analysis, we record inventories at the lower of cost or net realizable value, with any reduction in value expensed as cost of goods sold.

We calculate gross profit as net sales, including any shipping revenue collected from our customers, less cost of goods sold. Our gross profit has been and will continue to be affected by a variety of factors, primarily product sales mix including the addition of Halo branded products, volumes sold, discounts offered to Retail customers and our TLC club members, discounts offered to newly acquired and recurring customers, the cost of our manufactured products, and the cost of freight from the manufacturer to our warehouse. Changes in cost of goods sold and gross profit may be driven by the volume and price of our sales, including the extent of discounts offered, variations in the cost of raw materials and the price we pay for our manufactured products and variations in our freight costs.

Operating Expenses

General and administrative expenses include management and office personnel compensation and bonuses, share-based compensation, corporate level information technology related costs, rent, travel, professional service fees, costs related to merchant credit card fees, insurance, product development costs, shipping DTC orders to customers and general corporate expenses.

Sales and marketing expenses include costs related to compensation for sales personnel, other costs related to the selling platform, as well as marketing, including paid media and content creation expenses. Marketing expenses consist primarily of Facebook and other media ads, and other advertising and marketing costs, all geared towards acquiring new customers and building brand awareness.

Customer service and warehousing costs include the cost of our customer service department, including our in-house call center, and costs associated with warehouse operations, including but not limited to payroll, rent, and warehouse management systems.

Interest Expense

On November 4, 2019 and December 19, 2019, we issued \$2.8 million and \$15.0 million, respectively, in aggregate principal amount of subordinated convertible notes. These notes accrue interest payable in kind until maturity or conversion to equity.

On December 19, 2019, the Company entered into a loan facilities agreement with a private debt lender (the "Facilities Agreement") that provided for a short term loan facility of \$20.5 million and a revolving line of credit not to exceed \$7.5 million. The Company borrowed \$20.5 million on the short term loan and \$5.0 million on the revolving line of credit on December 19, 2019. The Company borrowed an additional \$0.5 million on the revolving line of credit during the three months ended March 31, 2020. The short term loan and revolving line of credit are scheduled to mature on December 19, 2020 or such earlier date on which a demand is made by the agent or any lender.

Income Taxes

Our income tax provision consists of an estimate of federal and state income taxes based on enacted federal and state tax rates, as adjusted for any allowable credits, deductions and uncertain tax positions as they arise. The Company did not record income tax expense for the three months ended March 31, 2020 due to the continued losses incurred by the Company. Prior to the May Acquisitions, TruPet was a limited liability company.

Results of Operations

Three Months Ended March 31, 2020 versus Three Months Ended March 31, 2019

| | 2020 | 2019 | Change | % |
|------------------------------------|-------------------|-------------------|-------------------|-------------|
| <i>\$ in thousands</i> | | | | |
| Net sales | \$ 12,226 | \$ 3,551 | \$ 8,675 | 244% |
| Cost of goods sold | 8,069 | 1,661 | 6,408 | 386% |
| Gross profit | 4,157 | 1,890 | 2,267 | 120% |
| Operating expenses: | | | | |
| General and administrative expense | 8,056 | 1,959 | 6,097 | 311% |
| Share-based compensation | 2,484 | 206 | 2,278 | * |
| Sales and marketing | 1,959 | 2,185 | (226) | 10% |
| Customer service and warehousing | 190 | 254 | (64) | (25%) |
| Total operating expenses | 12,689 | 4,604 | 8,085 | 176% |
| Loss from operations | \$ (8,532) | \$ (2,714) | \$ (5,818) | 214% |

* Not meaningful

Net Sales

Net sales increased \$8.7 million, or 244%, to \$12.2 million for the three months ended March 31, 2020 compared to \$3.6 million for the three months ended March 31, 2019. Net sales include \$9.0 million from Halo for the three months ended March 31, 2020 following the closing of the Halo Acquisition in December 2019. This was partially offset by a \$0.4 million decrease for the three months ended March 31, 2020 in net sales related to TruPet as compared to the prior year first quarter.

Cost of Goods Sold and Gross Profit

Cost of goods sold increased \$6.4 million, or 386%, to \$8.1 million for the three months ended March 31, 2020 compared to \$1.7 million for the three months ended March 31, 2019. As a percentage of revenue, cost of goods sold increased to 66% during the three months ended March 31, 2020 compared to 47% for the three months ended March 31, 2019. Cost of goods sold includes \$5.9 million of Halo product sold for the three months ended March 31, 2020 following the closing of the Halo Acquisition in December 2019. In addition, cost of goods sold during the first quarter included \$0.9 million of non-cash expense related to the amortization of a purchase accounting adjustment to inventory recorded in connection with the Halo Acquisition. These increases were offset by a comparable decrease in cost of goods sold related to the decrease in TruPet sales.

During the three months ended March 31, 2020, gross profit increased \$2.3 million, or 120%, to \$4.2 million compared to \$1.9 million during the three months ended March 31, 2019. Gross profit margin decreased to 34% from 53% for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. Gross profit includes \$2.4 million from Halo for the three months ended March 31, 2020, following the closing of the Halo Acquisition. The Halo line of products for the current period carried a profit margin of 27% compared to TruPet's margin of 54%. TruPet products have higher margins as compared to the Halo product line as Halo's food and pet food topper products have higher costs than the TruPet dental products. Halo also incurred storage and fulfillment center costs of \$0.2 million, an inventory reserve of \$0.2 million and product obsolescence costs of \$0.2 million due to the nature of Halo's products.

Operating Expenses

During the three months ended March 31, 2020, general and administrative expenses increased \$6.1 million, or 311% to \$8.1 million compared to \$2.0 million for the three months ended March 31, 2019. General and administrative expenses include expenses of \$2.2 million incurred by Halo for the three months ended March 31, 2020, following the closing of the Halo Acquisition. Halo general and administrative expenses include non-cash amortization of \$0.4 million related to the trade name and customer relationship intangible assets acquired as part of the Halo acquisition, salaries and wages and related costs of \$0.6 million, as well as other costs such as professional and consulting fees, charitable contributions, and other miscellaneous costs. Better Choice general and administrative expenses accounted for the remaining increase, driven by share-based compensation (\$2.5 million), consulting other professional fees (\$1.1 million) and salaries and wages and related costs (\$0.6 million) as we continued building the infrastructure to support our status as a public company and the expansion of our corporate staff.

During the three months ended March 31, 2020, share-based compensation increased \$2.3 million, to \$2.5 million, as compared to share based compensation of \$0.2 million during the three months ended March 31, 2019. The increase was driven by \$2.0 million related to awards issues under the Company's equity incentive plan and \$0.5 million related to restricted shares issued to three nonemployee directors.

During the three months ended March 31, 2020, sales and marketing expenses, including paid media, decreased \$0.2 million, or 10%, to \$2.0 million from \$2.2 million during the three months ended March 31, 2019. Marketing expenses include \$0.9 million incurred by Halo for the three months ended March 31, 2020, following the closing of the Halo Acquisition in December 2019. TruPet's sales and marketing expenses decreased from \$2.2 million for the three months ended March 31, 2019 to \$1.0 million for the three months ended March 31, 2020.

During the three months ended March 31, 2020, customer service and warehousing decreased \$0.1 million, to \$0.2 million, as compared to \$0.3 million during the three months ended March 31, 2019 due to a reduction in staff and related operating costs.

Interest Expense, Net

During the three months ended March 31, 2020, interest expense increased \$2.2 million to \$2.3 million from less than \$0.1 million for the three months ended March 31, 2019. Interest expense relates primarily to existing and prior indebtedness related to a short term loan, lines of credit and subordinated convertible notes.

Income Taxes

No provision has been made for federal and state income taxes prior to the date of the May Acquisitions as the proportionate share of TruPet's income or loss was included in the personal tax returns of its members as TruPet was a limited liability company. Subsequent to the acquisitions, the Company, as a corporation is required to provide for income taxes.

The effective tax rate subsequent to the acquisitions is 0%. The effective tax rate differs from the U.S. Federal statutory rate of 21% as our reported losses are offset by a valuation allowance due to uncertainty as to the realization of those losses.

Liquidity and Capital Resources

Since our founding, we have financed our operations primarily through sales of member units while a limited liability company, sales of shares of our common stock and warrants since becoming a corporation, preferred stock and loans. On March 31, 2020 and December 31, 2019, we had cash and cash equivalents of \$1.9 million and \$2.5 million, respectively, which represented a decrease of \$0.7 million.

The Company is subject to risks common in the pet wellness consumer market including, but not limited to, dependence on key personnel, competitive forces, successful marketing and sale of its products, the successful protection of its proprietary technologies, ability to grow into new markets, and compliance with government regulations. In December 2019, a novel strain of coronavirus ("COVID-19") surfaced in China and spread globally. Uncertainties regarding the economic impact of COVID-19 are likely to result in sustained market turmoil, which could negatively impact our business, financial condition, and cash flows.

The Company has incurred losses over the last three years and has an accumulated deficit. We expect to continue to generate operating losses and consume significant cash resources for the foreseeable future. Without additional financing, these conditions raise substantial doubt about our ability to continue as a going concern, meaning that we may be unable to continue operations for the foreseeable future or realize assets and discharge liabilities in the ordinary course of operations. The Company is implementing plans to achieve cost savings and other strategic objectives to address these conditions. We expect cost savings from consolidation of third-party manufacturers, optimizing shipping and warehousing as well as overhead cost reductions. The business is focused on growing the most profitable channels while reducing investments in areas that are expected to have lower long-term benefits.

If we seek additional financing to fund our business activities in the future and there remains doubt about our ability to continue as a going concern, investors or other financing sources may be unwilling to provide additional funding on commercially reasonable terms or at all. If we are unable to raise the necessary funds when needed or achieve planned cost savings, or other strategic objectives are not achieved, we may not be able to continue our operations or we could be required to modify our operations that could slow future growth. The accompanying interim condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and payments of liabilities in the ordinary course of business. Accordingly, the interim condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of and classification of liabilities that may result should the Company be unable to continue as a going concern.

A summary of our cash flows is as follows:

| <i>\$ in thousands</i> | March 31, | |
|---|-----------------|-------------------|
| | 2020 | 2019 |
| Cash flows (used in) provided by: | | |
| Operating activities | \$ (1,159) | \$ (1,368) |
| Investing activities | (8) | - |
| Financing activities | 500 | (756) |
| Net decrease in cash and cash equivalents and restricted cash | <u>\$ (667)</u> | <u>\$ (2,124)</u> |

Cash flows from Operating Activities

Cash used in operating activities consisted of net loss adjusted for non-cash items such as share-based compensation expense and depreciation and amortization as well as changes in working capital and other activities.

Cash used in operating activities decreased \$0.2 million, or 15%, during the three months ended March 31, 2020 compared to the three months ended March 31, 2019. Cash used in operating activities was \$1.2 million for the three months ended March 31, 2020, which consisted of the net loss from operations of \$9.5 million due to \$2.8 million in shares issued for services, \$2.5 million of share-based compensation, \$1.1 million for amortization of debt issuance costs and discounts, \$0.5 million in depreciation and amortization, \$1.4 million in the change in fair value warrant derivative liability, \$0.5 million of payments in kind interest, \$0.6 million of contract termination costs, and a combined \$1.8 million of net cash generated from changes in operating assets and liabilities.

Cash flows from Investing Activities

Cash used in investing activities was less than \$0.1 million during the three months ended March 31, 2020 and 2019.

Cash flows from Financing Activities

Cash provided by financing activities \$0.5 for the three months ended March 31, 2020 compared to cash used of \$0.8 million during the three months ended March 31, 2019. The cash flow from financing activities for the three months ended March 31, 2020 were proceeds from the revolving line of credit of \$0.5 million. Cash used during the three months ended March 31, 2019 was related to a repayment of a cash advance. For details about the terms, covenants and restrictions contained in the Facilities Agreement and the subordinated convertible notes, see "Note 10 - Line of credit, short term loan and notes payable" to our interim condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as defined by applicable regulations of the SEC, that are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies

The Company has identified significant accounting policies that, as a result of the judgments, uncertainties, uniqueness and complexities of the underlying accounting standards and operations involved could result in material changes to its financial condition or results of operations under different conditions or using different assumptions. The Company's most critical accounting policies are related to revenue recognition, valuation of long-lived and intangible assets, share-based compensation, and the accounting for convertible notes, warrants and business combinations. Details regarding the Company's use of these policies and the related estimates are described in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission on May 1, 2020,

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information under this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management evaluated its internal control over financial reporting for the quarter ended March 31, 2020. Based upon that evaluation, the Company's Chief Executive Officer and Principal Financial and Accounting Officer concluded that the Company's disclosure controls and procedures were not effective as of March 31, 2020. Management anticipates that such disclosure controls and procedures will not be effective until the material weaknesses described in the Company's Annual Report on Form 10-K are remediated.

Changes in Internal Control Over Financial Reporting

As part of our acquisition of Halo, the existing Halo finance team will support the process of bringing current outsourced processes in house. Additionally, the Company hired the Principal Financial and Accounting Officer of the Company, effective May 12, 2020 to help improve internal control over financial reporting. There were no other changes in internal control over financial reporting during the fiscal quarter ended March 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Item 1A. of Part 1 of our Form 10-K for the Fiscal Year Ended December 31, 2019. While we believe there have been no material changes from the risk factors previously disclosed in such Form 10-K, you should carefully consider, in addition to the other information set forth in this report, the risk factors discussed in our Annual Report that could materially affect our business, financial condition or future results. The risks described in our Annual Report are not the only risks facing our Company. In addition to risks and uncertainties inherent in forward-looking statements contained in this Report on Form 10-Q, additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We have previously disclosed all sales of securities without registration under the Securities Act of 1933, as amended.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are filed herewith.

EXHIBIT INDEX

| Exhibit | Exhibit Description | Form | File No. | Exhibit | Filing date | Filed / Furnished Herewith |
|----------------------|--|-------------|-----------------|----------------|--------------------|---|
| 2.1 | Agreement and Plan of Merger, dated February 28, 2019, by and among the Company, BBC Merger Sub, Inc. and Bona Vida, Inc. | 8-K | 333-161943 | 2.1 | 05/10/2019 | |
| 2.2 | First Amendment to Agreement and Plan of Merger, dated February 28, 2019, by and among the Company, BBC Merger Sub, Inc., and Bona Vida, Inc., dated May 3, 2019 | 8-K | 333-161943 | 2.2 | 05/10/2019 | |
| 2.3 | Securities Exchange Agreement, dated February 2, 2019, by and among the Company, TruPet LLC and the members of TruPet LLC | 8-K | 333-161943 | 2.3 | 05/10/2019 | |
| 2.4 | First Amendment to Securities Exchange Agreement, dated February 2, 2019, by and among the Company, TruPet LLC and the members of TruPet LLC, dated May 6, 2019 | 8-K | 333-161943 | 2.4 | 05/10/2019 | |
| 2.5# | Amended and Restated Stock Purchase Agreement, dated December 18, 2019, by and among the Company, Halo, Purely For Pets, Inc., Thriving Paws, LLC and HH-Halo LP | 8-K | 333-161943 | 2.1 | 12/26/2019 | |
| 3.1 | Certificate of Incorporation, dated January 1, 2019 | 10-Q | 333-161943 | 3.1 | 04/15/2019 | |
| 3.2 | Certificate of Amendment to Certificate of Incorporation, dated February 1, 2019 | 10-Q | 333-161943 | 3.2 | 04/15/2019 | |
| 3.3 | Certificate of Amendment to Certificate of Incorporation, dated March 13, 2019 | 8-K | 333-161943 | 3.1 | 03/20/2019 | |
| 3.4 | Certificate of Amendment to Certificate of Incorporation, dated April 18, 2019 | 10-KT | 333-161943 | 3.5 | 07/25/2019 | |
| 3.5 | Certificate of Merger of Sport Endurance, Inc. with and into the Company | 10-Q | 333-161943 | 3.4 | 04/15/2019 | |
| 3.6 | Bylaws | 10-Q | 333-161943 | 3.5 | 04/15/2019 | |
| 3.7 | Amended and Restated Certificate of Designation for Series E Convertible Preferred Stock | 8-K | 333-161943 | 3.1 | 05/23/2019 | |
| 4.1 | Form of Common Stock Purchase Warrant in connection with the May 2019 private placement | 8-K | 333-161943 | 4.1 | 04/30/2019 | |
| 4.2 | Form of Tranche 1 Common Stock Purchase Warrant, dated September 17, 2019, by and between the Registrant and Bruce Linton | 8-K | 333-161943 | 4.1 | 09/23/2019 | |
| 4.3 | Form of Tranche 2 Common Stock Purchase Warrant, dated September 17, 2019, by and between the Company and Bruce Linton | 8-K | 333-161943 | 4.2 | 09/23/2019 | |

| Exhibit | Exhibit Description | Form | File No. | Exhibit | Filing date | Filed / Furnished Herewith |
|-------------------------|---|-------------|-----------------|----------------|--------------------|---|
| 4.4 | Form of Additional Common Stock Purchase Warrant, dated September 17, 2019, by and between the Company and Bruce Linton | 8-K | 333-161943 | 4.3 | 09/23/2019 | |
| 4.5 | Form of Subordinated Convertible Promissory Note in connection with the November 2019 private placement | 8-K | 333-161943 | 4.1 | 11/15/2019 | |
| 4.6 | Form of Common Stock Purchase Warrant in connection with the November 2019 private placement | 8-K | 333-161943 | 4.2 | 11/15/2019 | |
| 4.7 | Form of Subordinated Convertible Promissory Note, dated December 19, 2019, by and among the Company and the Halo Sellers listed on the signature pages thereto | 10-Q | 333-161943 | 4.7 | 01/31/2020 | |
| 4.8 | Form of Common Stock Purchase Warrant, dated December 19, 2019, by and among the Company and the Halo Sellers | 10-Q | 333-161943 | 4.8 | 01/31/2020 | |
| 4.9 | Form of Common Stock Purchase Warrant, dated December 19, 2019, by and among the Company and the Shareholder Personal Guarantors | 10-Q | 333-161943 | 4.10 | 01/31/2020 | |
| 4.10 | Form of Common Stock Purchase Warrant Agreement in connection with the December 2018 private placement | 8-K | 333-161943 | 4.1 | 12/13/2018 | |
| 4.11 | Form of Common Stock Purchase Warrant in connection with the June 2020 private placement. | | | | | * |
| 4.12 | Form of Subordinated Convertible Promissory Note in connection with the June 2020 private placement. | | | | | * |
| 4.13 | Form of Subscription Agreement in connection with the June 2020 private placement. | | | | | * |
| 4.14 | Form of Registration Rights Agreement by and among the Company and the persons listed on the signature pages thereto in connection with the June 2020 private placement. | | | | | * |
| 10.1 | Loan Agreement dated May 6, 2019, between the Company and Franklin Synergy Bank | 8-K | 333-161943 | 10.1 | 05/10/2019 | |
| 10.2 | Security Agreement dated May 6, 2019, between the Company and Franklin Synergy Bank | 8-K | 333-161943 | 10.2 | 05/10/2019 | |
| 10.3 | Guaranty Agreement, dated April 8, 2019, by TruPet LLC in favor of Franklin Synergy Bank | S-1 | 333-234349 | 10.17 | 10/28/2019 | |
| 10.4 | Form of Revolving Line of Credit Promissory Note dated 2019 | 8-K | 333-161943 | 10.3 | 05/10/2019 | |
| 10.5 | Guaranty Agreement, dated April 8, 2019, by Bona Vida, Inc. in favor of Franklin Synergy Bank | S-1 | 333-234349 | 10.16 | 10/28/2019 | |
| 10.7*** | Loan Facilities Credit Letter Agreement, dated December 19, 2019, by and among the Better Choice Company Inc., Halo, Purely for Pets, Inc., Bona Vida Inc., TruPet LLC and Bridging Finance Inc., as agent. | 10-Q | 333-161943 | 10.1 | 01/31/2020 | |
| 10.8 | Pledge and Security Agreement, dated December 19, 2019, by and among the Company, Halo, Purely or Pets, Inc., Bona Vida, Inc., TruPet LLC and Bridging Finance Inc., as Administrative Agent | 10-Q | 333-161943 | 10.2 | 01/31/2020 | |
| 10.9 | Continuing Guaranty of Halo, Purely for Pets, Inc., Bona Vida Inc., TruPet LLC, dated December 19, 2019 | 10-Q | 333-161943 | 10.3 | 01/31/2020 | |
| 10.10 | Form of Subscription Agreement, dated December 19, 2019, by and among the Company and the Halo Sellers | 10-Q | 333-161943 | 10.6 | 01/31/2020 | |

| Exhibit | Exhibit Description | Form | File No. | Exhibit | Filing date | Filed / Furnished Herewith |
|------------------------|--|-------------|-----------------|----------------|--------------------|---|
| 10.11 | Continuing Personal Guaranty of John Word, Lori Taylor and Michael Young, dated December 19, 2019 | 10-Q | 333-161943 | 10.4 | 01/31/2020 | |
| 10.12 | Registration Rights Agreement, dated May 6, 2019, by and among the Company and the persons listed on the signature pages thereto in connection with the May 2019 private placement | S-1 | 333-234349 | 10.2 | 10/28/2019 | |
| 10.13 | First Amendment, dated June 10, 2019, to Registration Rights Agreement, dated May 6, 2019, by and among the Company and the stockholders party thereto | S-1 | 333-234349 | 10.3 | 10/28/2019 | |
| 10.14 | Form of Subscription Agreement dated April 25, 2019 in connection with the May 2019 private placement | 8-K | 333-161943 | 10.1 | 04/30/2019 | |
| 10.15 | Registration Rights Agreement, dated as of May 6, 2019, by and among Better Choice Company Inc. and the former stockholders of Bona Vida listed on the signature pages thereto | 8-K | 333-161943 | 4.1 | 05/10/2019 | |
| 10.16 | Registration Rights Agreement, dated as of May 6, 2019, by and among Better Choice Company Inc. and the former member of TruPet listed on the signature pages thereto | 8-K | 333-161943 | 4.2 | 05/10/2019 | |
| 10.17 | Form of Registration Rights Agreement by and among the Company and the persons listed on the signature pages thereto in connection with the November 2019 private placement | 8-K | 333-161943 | 4.3 | 11/15/2019 | |
| 10.18 | Form of Subscription Agreement in connection with the November 2019 private placement | 8-K | 333-161943 | 10.1 | 11/15/2019 | |
| 10.19† | Better Choice Company Inc. Amended and Restated 2019 Incentive Award Plan | | | | | * |
| 10.20† | Form of 2019 Incentive Aware Plan Stock Option Agreement | S-1 | 333-234349 | 10.7 | 10/28/2019 | |
| 10.21† | Form of Indemnification Agreement by and among the Company and its officers and directors | S-1 | 333-234349 | 10.8 | 10/28/2019 | |
| 10.22† | Independent Contractor Agreement, dated September 17, 2019, by and between the Company and Bruce Linton | 8-K | 333-161943 | 10.1 | 09/23/2019 | |
| 10.23† | Employment Agreement, dated February 1, 2019, for David Lelong | 8-K | 333-161943 | 10.1 | 02/07/2019 | |
| 10.24† | Employment Agreement, dated as of May 6, 2019, by and between the Company and Damian Dalla-Longa | 10-Q | 333-161943 | 10.6 | 10/09/2019 | |
| 10.25† | Resignation Letter from Damian Dalla-Longa, dated February 5, 2020 | 8-K | 333-161943 | 10.3 | 02/11/2020 | |

| Exhibit | Exhibit Description | Form | File No. | Exhibit | Filing date | Filed / Furnished Herewith |
|------------------------|---|------|------------|---------|-------------|----------------------------------|
| 10.26† | Amendment to Employment Agreement, dated February 10, 2020, by and between Damian Dalla-Longa and the Company | 8-K | 333-161943 | 10.4 | 02/11/2020 | |
| 10.27† | Employment Agreement, dated as of May 6, 2019, by and between the Company and Lori Taylor | 10-Q | 333-161943 | 10.7 | 10/09/2019 | |
| 10.28† | Separation Agreement, dated as of September 13, 2019, by and between the Company and Lori Taylor | | | | | * |
| 10.29† | Employment Agreement, dated May 6, 2019, by and among the Company and Anthony Santarsiero | S-1 | 333-234349 | 10.11 | 10/28/2019 | |
| 10.30† | Employment Agreement, dated June 29, 2019, by and among the Company and Andreas Schulmeyer | S-1 | 333-234349 | 10.12 | 10/28/2019 | |
| 10.31† | Employment Agreement, dated December 19, 2019, by and between the Company, Werner von Pein, and Halo | 8-K | 333-161943 | 10.1 | 02/11/2020 | |
| 10.32† | Amendment to Employment Agreement, dated February 10, 2020, by and between Werner von Pein and the Company | 8-K | 333-161943 | 10.2 | 02/11/2020 | |
| 21.1 | Subsidiaries of the Company | | | | | * |
| 31.1 | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | * |
| 31.2 | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | * |
| 32.1 | Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | | ** |
| 101.INS | XBRL Instance Document | | | | | * |
| 101.SCH | XBRL Taxonomy Extension Schema Document | | | | | * |
| 101.CAL | XBRL Taxonomy Extension Calculation Document | | | | | * |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | | | | | * |
| 101.LAB | XBRL Taxonomy Extension Labels Linkbase Document. | | | | | * |
| 101.PRE | XBRL Taxonomy Extension Presentation Link Document. | | | | | * |

| Exhibit | Exhibit Description | Form | File No. | Exhibit | Filing date | Filed / Furnished Herewith |
|----------------|---|-------------|-----------------|----------------|--------------------|---|
| | Document. | | | | | |
| † | Indicates a management contract or any compensatory plan, contract or arrangement. | | | | | |
| # | Certain schedules and similar attachments to this agreement have been omitted in accordance with Item 601(b)(5) of Regulation S-K. The Company will furnish copies of any schedules or similar attachments to the SEC upon request. | | | | | |
| *** | Certain information in this document has been excluded pursuant to Regulation S-K, Item 601(b)(10). Such excluded information is not material and would likely cause competitive harm to the registrant if publicly disclosed. | | | | | |

SIGNATURE

In accordance with the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BETTER CHOICE COMPANY INC.

Date: June 25, 2020

By: /s/ Werner von Pein

Werner von Pein
Chief Executive Officer
(Principal Executive Officer)

Date: June 25, 2020

By: /s/ SHARLA COOK

Sharla Cook
Principal Financial and Accounting Officer

NEITHER THIS WARRANT, NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT (COLLECTIVELY, THE "SECURITIES"), HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER ANY STATE SECURITIES OR BLUE SKY LAWS. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE OFFERED, SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES OR BLUE SKY LAWS, PURSUANT TO REGISTRATION OR QUALIFICATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE COMPANY MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE COMPANY TO THE EFFECT THAT ANY PROPOSED TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES OR BLUE SKY LAWS. THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

COMMON STOCK PURCHASE WARRANT

BETTER CHOICE COMPANY INC.

Warrant Shares: _____

Issue Date: June 24, 2020 ("Issue Date")

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, _____ (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions set forth herein, at any time for a period ending on the earlier of (i) 84 months from the date of the consummation of an underwritten public offering or other uplist transaction through which the Company lists its Common Stock on the New York Stock Exchange, The Nasdaq Global Select Market, The Nasdaq Global Market or another national securities exchange in the United States or Canada or (ii) June 30, 2030 (the earlier of such dates is hereinafter referred to as the "Expiration Date"), but not thereafter, to subscribe for and purchase from Better Choice Company Inc., a Delaware corporation (the "Company"), up to _____ shares (the "Warrant Shares") of the Company's common stock, par value \$0.001 per share ("Common Stock"). The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2(f).

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Subscription Agreement between the Company and the Holder (the "Subscription Agreement"), dated as of the Issue Date. The following additional terms shall have the following meanings:

- a) "Trading Day" shall mean any day on which the Common Stock is traded on the Trading Market.
- b) "Trading Market" shall mean the principal securities exchange or securities market, including an over-the-counter market, on which the Common Stock is then traded in the United States.

Section 2. Exercise.

a) Exercise of Warrant. The purchase rights represented by this Warrant may be exercised, in whole or in part, at any time or times on or before the Expiration Date by delivery (whether via facsimile, PDF copy, electronic mail or otherwise) to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed copy of the Notice of Exercise form annexed hereto and by payment to the Company of an amount equal to the aggregate Exercise Price of the Warrant Shares thereby purchased by wire transfer. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise form be required.

b) Cashless Exercise. Alternatively, this Warrant may also be exercised, in lieu of payment of the aggregate Warrant Price in the manner as specified in Section 2(a), but otherwise in accordance with the requirements of Section 2(a), by the Holder electing to receive Warrant Shares equal to the value of this Warrant, or portion hereof as to which this Warrant is being exercised. Thereupon, the Company shall issue to the Holder such number of fully paid and non-assessable Warrant Shares as are computed using the following formula:

$$X = Y(A-B)/A$$

where:

X = the number of Warrant Shares to be issued to the Holder;

Y = the number of Warrant Shares with respect to which this Warrant is being exercised (inclusive of the Warrant Shares surrendered to the Company in payment of the aggregate Exercise Price);

A = the Fair Market Value (as determined pursuant to Section 2(c) below) of one Warrant Share; and

B = the Exercise Price.

c) Fair Market Value. If shares of the Common Stock are then traded or quoted on a Trading Market, the fair market value of a Warrant Share shall be the closing price or last sale price of a share of the Common Stock reported for the Trading Day immediately before the date on which Holder delivers this Warrant together with its Notice of Exercise to the Company. If shares of Common Stock are not then traded in a Trading Market, the Board of Directors of the Company shall determine the fair market value of a Warrant Share in its reasonable good faith judgment.

d) Automatic Cashless Exercise upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Warrant Share as determined in accordance with Section 2(c) above is greater than the Exercise Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be exercised pursuant to Section 2(b) above as to all Warrant Shares for which it shall not previously have been exercised, and the Company shall, within a reasonable time, deliver a certificate representing the Warrant Shares issued upon such exercise to Holder in accordance with Section 2(g)(i) herein.

e) The Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days after the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

f) Exercise Price. The exercise price per share of Common Stock under this Warrant shall be equal to \$1.25 per share (the ‘Exercise Price’).

g) Mechanics of Exercise.

i. Delivery of Certificates Upon Exercise. Certificates for shares purchased hereunder shall be transmitted by the Company’s transfer agent to the Holder by crediting the account of the Holder’s prime broker with The Depository Trust Company (“DTC”) through its Fast Automated Securities Transfer Program and otherwise by physical delivery to the address specified by the Holder in the Notice of Exercise by the date that is three (3) Trading Days after the receipt by the Company of the Notice of Exercise (provided that payment of the Exercise Price has then been received by the Company) (such date, the “Warrant Share Delivery Date”). This Warrant shall be deemed to have been exercised upon proper delivery of the Notice of Exercise and payment of the Exercise Price or notice of cashless exercise in accordance with Section 2(b). The Warrant Shares shall be deemed to have been issued, and the Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised.

ii. Delivery of New Warrant Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to transmit to the Holder a certificate or the certificates representing the Warrant Shares pursuant to Section 2(g)(i) by the Warrant Share Delivery Date, then, the Holder will have the right to rescind such exercise.

iv. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round (up or down) to the nearest whole share.

v. Charges, Taxes and Expenses. Issuance of certificates for Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto.

vi. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant pursuant to the terms hereof.

Section 3. Certain Adjustments.

a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company (collectively with the actions described in (i), (ii), (iii) and (iv), a "Share Reorganization"), then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification, but if the Company shall legally abandon any such dividend, distribution, subdivision, combination or reclassification prior to effecting such action, no adjustment shall be made pursuant to this Section 3(a) in respect of such action.

b) Pro Rata Distributions. If the Company, at any time while this Warrant is outstanding, shall distribute to all or substantially all holders of Common Stock (and not to the Holders) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than a Share Reorganization, then, in each such case, the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the VWAP (as defined below) determined as of the record date, and of which the numerator shall be such VWAP on such record date less the then per share fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of the Common Stock as determined by the Board of Directors in good faith; provided that in no event shall the Exercise Price be increased as a result of the application of this Section 3(b). Simultaneously with any adjustment to the Exercise Price pursuant to this Section 3(b), the number of Warrant Shares that may be purchased upon exercise of this Warrant shall be increased proportionately, so that after such adjustment the aggregate Exercise Price payable hereunder for the adjusted number of Warrant Shares shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment (without regard to any limitations on exercise contained herein). In either case the adjustments shall be described in a statement provided to the Holder of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustments shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above, but if the Company shall legally abandon any such distribution prior to effecting such distribution, no adjustments shall be made pursuant to this Section 3(b) in respect of such action.

For purposes of this Section 3(b), "VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:00 p.m. (New York City time)), (b) if the OTC Bulletin Board is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if the Common Stock is not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Common Stock are then reported in the "Pink Sheets" published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Warrants then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

c) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (a "Change of Control") (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction (without regard to any limitation in Section 2(g) on the exercise of this Warrant), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (together, the "Alternate Consideration"), if any, receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(g) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. Any such payment of such amount of such Alternative Consideration shall be made in the same form of consideration (whether securities, cash or property) as is given to the holders of Common Stock in such Fundamental Transaction, and if multiple forms of consideration are given, the consideration shall be paid to the Holder in the same proportion as such consideration is paid to the holders of Common Stock. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this Section 3(c) and insuring that this Warrant (or any such replacement security) will be similarly adjusted upon any subsequent Fundamental Transaction.

d) Calculations. All calculations under this Section 3 shall be made to the nearest cent or rounded down to the nearest whole share, as the case may be. For purposes of this Section 3, any calculation of the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall not include treasury shares, if any. Notwithstanding anything to the contrary in this Section 3, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least \$0.01 per share in such price; provided, however, that any adjustments which by reason of the immediately preceding sentence are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In any case in which this Section 3 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, if Holder exercises this Warrant after such record date, the Company may elect to defer, until the occurrence of such event, the issuance of the shares of Common Stock and other capital stock of the Company in excess of the shares of Common Stock and other capital stock of the Company, if any, issuable upon such exercise on the basis of the Exercise Price in effect prior to such adjustment; provided, however, that in such case the Company shall deliver to the Holder a due bill or other appropriate instrument evidencing the Holder's right to receive such additional shares and/or other capital securities upon the occurrence of the event requiring such adjustment.

e) Par Value. Notwithstanding anything to the contrary in this Warrant, in no event shall the Exercise Price be reduced below the par value of the Company's Common Stock.

Section 4. Transfer of Warrant.

a) Transferability. Subject to compliance with any applicable securities laws and Section 4(d), this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company (or other designated agent), together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company (or other designated agent), together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 5(b), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the initial issuance date set forth on the first page of this Warrant and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Warrants will initially be held by the Holders through a physical copy of this Warrant (the "Warrant Certificate"). The Company shall deliver to the Holder a physical certificate in the form of this Warrant and the Company shall, thereafter, register this Warrant, upon records to be maintained by the Company for that purpose, in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be either (i) registered pursuant to an effective registration statement under the Securities Act of 1933, as amended, (the "Securities Act") and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the transferee agrees in writing to be bound, with respect to the transferred Warrants, by the provisions of the Transaction Documents (as defined in the Subscription Agreement).

e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 5. Miscellaneous.

a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2.

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it, and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares. The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant (without regard to any limitations on exercise contained herein). The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

e) No Impairment. Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of the Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use best efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

f) Governing Law. This Warrant shall be governed by, and construed in accordance with, the laws of the State of New York without giving effect to the conflicts of law principles thereof.

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of the Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. Without limiting any other provision of this Warrant, if the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

h) Notices.

i. Notice Procedures. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Subscription Agreement.

ii. Adjustment to Exercise Price. Whenever the Exercise Price or number of Warrant Shares is adjusted pursuant to any provision of Section 3, the Company shall promptly provide the Holder a notice setting forth the Exercise Price and number of Warrant Shares after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

iii. Notice to Allow Exercise by the Holder. On or prior to the Expiration Date, if (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be mailed to the Holder at its last address as it shall appear upon the Warrant Register, at least ten (10) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

k) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of the Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

l) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

n) Confidentiality. The Holder agrees to keep confidential any proprietary information relating to the Company delivered by the Company pursuant to the terms of this Warrant; provided that nothing herein shall prevent the Holder from disclosing such information: (i) to any holder of Warrants or Warrant Shares, (ii) to any Affiliate of any holder of Warrants or Warrant Shares or any actual or potential transferee of the rights or obligations hereunder that agrees to be bound by this Section 5(n), (iii) upon order, subpoena, or other process of any court or administrative agency or otherwise required by law, (iv) upon the request or demand of any regulatory agency or authority having jurisdiction over such party, (v) which has been publicly disclosed without breach of any obligation to the Company, (vi) which has been obtained from any Person that is not a party hereto or an Affiliate of any such party without any breach of any obligation to the Company, (vii) in connection with the exercise of any remedy, or the resolution of any dispute hereunder, (viii) to the legal counsel or certified public accountants for any holder of Warrants or Warrant Shares, or (ix) as otherwise expressly contemplated by this Warrant. Notwithstanding the foregoing, the Company shall not provide material, non-public information or confidential or proprietary information to the Holder without such Holder's written consent.

o) Dispute Resolution. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within two (2) Business Days of receipt of the Exercise Notice giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Exercise Price or the Warrant Shares within three Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two (2) Business Days submit via facsimile (i) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (ii) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company shall cause at its expense the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error. The expenses of the investment bank and accountant will be borne by the Company unless the investment bank or accountant determines that the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares by the Holder was incorrect, in which case the expenses of the investment bank and accountant will be borne by the Holder.

p) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

(Signature Pages Follow)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

BETTER CHOICE COMPANY INC.

By: _____
Name: Werner Von Pein
Title: Chief Executive Officer

NOTICE OF EXERCISE

TO: BETTER CHOICE COMPANY INC.

(1) The undersigned hereby elects to purchase, pursuant to the provisions of the Warrant, as follows:

_____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

_____ Warrant Shares pursuant to the terms of the net exercise provisions set forth in Section 2(b) of the attached Warrant (only if exercised in full), and tenders herewith payment of all applicable transfer taxes, if any.

(2) Payment shall take the form of lawful money of the United States

(3) The Warrant Shares shall be delivered to the following DTC Account Number:

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____

Signature of Authorized Signatory of Investing Entity: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Date: _____

ASSIGNMENT FORM

(To assign the foregoing warrant, execute this form and supply required information. Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, all of or shares of the foregoing Warrant and all rights evidenced thereby are hereby assigned to

_____ whose address is

Dated: _____, _____

Holder's Signature: _____
Holder's Address: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever.

THIS NOTE IS SUBORDINATED TO ANY PRESENT OR FUTURE INDEBTEDNESS OWING FROM THE COMPANY UNDER THAT LOAN FACILITIES LETTER AGREEMENT DATED DECEMBER 19, 2019 AMONG THE COMPANY, BRIDGING FINANCE INC. (THE "SENIOR AGENT") AND THE LENDERS PARTY THERETO, AND MAY BE ENFORCED ONLY IN ACCORDANCE WITH THAT CERTAIN SUBORDINATION AGREEMENT DATED DECEMBER 19, 2019 AMONG THE COMPANY, INVESTOR AND THE SENIOR AGENT.

THIS NOTE AND THE SECURITIES ISSUABLE UPON THE CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAWS OF CERTAIN STATES. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR AN EXEMPTION THEREFROM. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

BETTER CHOICE COMPANY INC.

SUBORDINATED CONVERTIBLE PROMISSORY NOTE

\$ _____

June 24, 2020

FOR VALUE RECEIVED, **BETTER CHOICE COMPANY INC.**, a Delaware corporation (the "**Company**") promises to pay to _____, or its registered assigns ("**Investor**"), in lawful money of the United States of America the principal sum of \$_____, or such greater or lesser amount as shall equal the then outstanding principal amount hereof. The Company promises to pay interest on this note at 10.00% per annum (the "**Note Rate**") from June 24, 2020 until all outstanding principal and accrued interest under this Note shall be paid in full or earlier converted pursuant to the terms of this Note. The Company will pay interest quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, or if any such day is not a Business Day, on the next succeeding Business Day. Interest shall be payable by increasing the aggregate principal amount of the Notes (such increase being referred to herein as "**PIK Interest**").

Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from June 24, 2020 until all outstanding principal and accrued interest under this Note shall be paid in full or earlier converted pursuant to the terms of this Note. The first Interest Payment Date shall be September 30, 2020. Interest will be computed on the basis of a 360-day year of twelve 30-day months. All then outstanding principal, together with any then unpaid and accrued interest and other amounts payable hereunder, shall be due and payable on June 30, 2023 (the "**Maturity Date**").

This Note is one of the Subordinated Convertible Promissory Notes designated as a Subordinated Convertible Promissory Note issued on either December 19, 2019 or on the date hereof in the aggregate initial principal amount (including the Notes issued on the date hereof) of \$19,900,00.00 (collectively with such other Subordinated Convertible Promissory Notes issued by the Company at any time, the "**Notes**").

1. **Definitions.** As used in this Note, the following capitalized terms have the following meanings:

“**Business Day**” shall mean a day, other than a Saturday or Sunday, on which commercial banks in New York, New York are open for the general transaction of business.

“**Change of Control**” shall mean the occurrence of any of the following:

(a) the direct or indirect sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company and its subsidiaries, taken as a whole, to any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision) (a “**Group**”) (other than to the Company or one or more Subsidiaries); or

(b) any Person or Group shall become the beneficial owner, directly or indirectly, of more than 50% of the voting capital stock of the Company (measured by voting power rather than number of shares).

“**Common Stock**” shall mean the Company’s common stock, par value \$0.001 per share.

“**Conversion Price**” shall mean \$0.75 per share.

“**Customary Documents**” shall mean all or any of: a purchase agreement, an investor rights agreement, a voting agreement, a right of first refusal and co-sale agreement and/or other ancillary agreements, with customary representations and warranties and transfer restrictions (including, without limitation, a customary lock-up agreement in connection with an initial public offering) or other similar documents.

“**Default Interest Rate**” shall mean 12.00% per annum.

“**First Priority Notes**” shall mean (a) all Notes held by HH-Halo and its permitted transferees and (b) that certain Note in the initial principal amount of \$77,336.99 issued by the Company to Werner von Pein on December 19, 2019.

“**Halo Acquisition**” shall mean the acquisition by the Company of Halo, Purely For Pets, Inc., Thriving Paws, LLC, HH-Halo LP (the “**Sellers**”), pursuant to a Stock Purchase Agreement dated October 15, 2019, as amended.

“**HH-Halo**” shall mean HH-Halo LP, a Delaware limited partnership.

“**Indebtedness**” shall mean, without duplication, all obligations of the Company or any of its subsidiaries for (a) indebtedness for borrowed money or indebtedness issued in substitution for or exchange of indebtedness for borrowed money, (b) other indebtedness evidenced by notes, bonds, debentures, mortgages or other debt instruments or debt securities, (c) the deferred purchase price of property or other assets (including “earn-outs”), excluding ordinary course trade payables and accrued expenses, (d) obligations arising under capital leases, (e) payment obligations under any interest rate swap agreements, interest rate hedge agreements or other derivative agreements to which the Company is a party to the extent such obligation is required to be paid in full at the Closing upon termination of any such agreement, (f) interest owed with respect to the indebtedness referred to above and prepayment penalties, premiums, breakage or fees related thereto, (g) all interest expense accrued but unpaid, and any penalties, costs (breakage or otherwise), premiums, overage charges, make-whole payments, indemnities and fees on or related to Indebtedness, (h) obligations under any performance bond or letter of credit and (i) indebtedness of another person or entity of the types described in clauses (a) and (h) guaranteed, directly or indirectly, in any manner by the Company or any of its subsidiaries; provided that, Indebtedness shall not include any intercompany accounts, payables or loans of any kind or nature.

“**Investors**” shall mean the investors that are the registered holders of the Notes.

“**IPO**” shall mean the listing of the Common stock on the NASDAQ, NYSE or other national securities exchange in the United States or Canada whether through a firm commitment underwritten public offering by the Company of shares of common stock pursuant to an effective registration statement under the Securities Act of 1933 or other uplist transaction permitted by the applicable exchange.

“**Lien**” shall mean any lien, encumbrance, pledge, mortgage, deed of trust, restriction on transfer or use, hypothecation, easement, right-of-way, defect in title, security interest, charge, option, right of first refusal or first offer, preemptive right, other transfer restriction or any similar claim.

“**Obligations**” shall mean and include all loans, advances, debts, liabilities and obligations, howsoever arising, owed by the Company to Investor of every kind and description, now existing or hereafter arising under or pursuant to the terms of this Note, including all interest, fees, charges, expenses, attorneys’ fees and costs and accountants’ fees and costs chargeable to and payable by the Company hereunder and thereunder, in each case, whether direct or indirect, absolute or contingent, due or to become due, and whether or not arising after the commencement of a proceeding under Title 11 of the United States Code (11 U. S. C. Section 101 et seq.), as amended from time to time (including post-petition interest) and whether or not allowed or allowable as a claim in any such proceeding. Notwithstanding the foregoing, the term “Obligations” shall not include any obligations of Company under or with respect to any warrants to purchase Company’s capital stock.

“**Permitted Indebtedness**” shall mean (i) Indebtedness incurred by the Company or its subsidiaries that is made expressly subordinate in right of payment to the Indebtedness evidenced by this Note, as reflected in a written agreement acceptable to the Required Investors and approved by the Required Investors in writing, and which Indebtedness does not provide at any time for the payment, prepayment, repayment, repurchase or defeasance, directly or indirectly, of any principal or premium, if any, thereon, until 91 days after the Maturity Date or later and (ii) any Indebtedness incurred by the Company under the United States Small Business Administration’s Paycheck Protection Program.

“**Permitted Liens**” shall mean (a) mechanic’s, materialmen’s, carriers’, repairers’ and similar Liens arising in the ordinary course of business for amounts that are not yet due and payable or are being contested in good faith, (b) Liens for taxes, assessments or other governmental charges not yet due and payable as of the date of determination or which are being contested in good faith and for which adequate reserves have been established and maintained in accordance with GAAP, (c) encumbrances and restrictions on real property (including, but not limited to, easements, covenants, conditions, rights of way and similar restrictions) that do not, individually or in the aggregate, materially interfere with the Company’s or its subsidiaries’ present uses or occupancy of such property or the current operation of the business of the Company and its subsidiaries, (d) zoning, building codes and other land use laws imposed by a governmental entity affecting the use or occupancy of real property or the activities conducted thereon, (e) any right, interest, Lien or title of a licensor, sublicensor, licensee, sublicensee, lessor or sublessor under any license, sublicense, lease, sublease or other similar agreement or in the property being leased or licensed, in each case, in the ordinary course of business, (f) purchase money Liens and Liens securing rental payments under lease arrangements and (g) other Liens which do not materially impair the use or value of the underlying asset.

“**Person**” shall mean and include an individual, a partnership, a corporation (including a business trust), a joint stock company, a limited liability company, an unincorporated association, a joint venture or other entity or a governmental authority.

“**Required Investors**” shall mean (a) HH-Halo, (b) Investors holding more than 50% of the aggregate then outstanding principal amount of the Notes if no First Priority Notes remain outstanding or (c) Investors holding more than 60% of the aggregate then outstanding principal amount of the Notes in connection with any amendment, waiver or modification pursuant to Section 8(b) that would have a material and adverse effect on Investors (other than HH-Halo) that is disproportionate to its effect on HH-Halo.

“**Second Priority Notes**” shall mean Notes that are not First Priority Notes.

“**Senior Credit Agreement**” has the meaning set forth in the Subordination Agreement.

“**Senior Debt**” shall mean (a) Senior Debt (as defined in the Subordination Agreement) and (b) any other Indebtedness to the extent the proceeds of which are used to repay all or a portion of the Indebtedness under the Senior Credit Agreement.

“**Subordination Agreement**” shall mean that certain Subordination Agreement dated December 19, 2019 among Bridging Finance Inc., Investor, the Company and the other parties thereto.

“**Trading Day**” shall mean any day on which the Common Stock is traded on the Trading Market.

“**Trading Market**” shall mean the principal securities exchange or securities market, including an over-the-counter market, on which the Common Stock is then traded in the United States.

“**Transaction Documents**” shall mean this Note, any other Notes and the Subscription Agreement, Registration Rights Agreement and Common Stock Purchase Warrant entered into and delivered in connection herewith.

2. **Payments.** Subject to the terms of the Subordination Agreement:

(a) *Interest.* Accrued interest on this Note shall be payable as set forth in the first paragraph of this Note. In the event of a conversion hereunder, the accrued interest shall convert along with the outstanding principal amount.

(b) *Prepayment.* The Company may prepay the Notes without penalty at any time prior to the Maturity Date provided that the Company shall not prepay the Notes at any time within 90 days prior to a Change of Control; provided further that the Company shall prepay the Notes held by HH-Halo or its permitted transferees, if any, and any Notes *pari passu* in right of payment with HH-Halo pursuant to Section 7(a) prior to any prepayment of Notes held by any other Investor.

(c) *Change of Control.* Subject to Section 5(c), in the event of a Change of Control, each Investor shall have the option to elect either (i) to convert all of the outstanding principal amount of, and all accrued interest on, the Notes held by such Investor into a replacement note issued by the new issuer resulting from the Change of Control in an aggregate principal amount equal to (A) 104% of the outstanding principal amount of Notes held by such Investor plus (B) accrued interest or (ii) to require the Company to repay all of the outstanding principal amount of the Notes held by such Investor plus all accrued interest thereon and pay a repayment premium equal to 4% of the sum of all outstanding principal amount of the Notes held by such Investor plus all accrued interest thereon. Elections pursuant to this Section 2(c) shall be made by Investor to the Company in writing to the Company’s principal corporate office within fifteen (15) days of receipt of notice of the Change of Control.

(d) *Payments Generally.* The Company will make all cash payments due under this Note in immediately available funds by 1:00 p.m. ET on the date such payment is due at the address for such purpose specified below Investor’s signature hereto, or at such other address, or in such other manner, as an Investor or other registered holder of a Note may from time to time direct in writing.

(c) *Treatment of Notes.* All or any portion of the then outstanding principal amount of any First Priority Note and all interest thereon shall be (A) senior in right of payment and in all other respects to any Second Priority Notes and (B) pari passu in right of payment and in all other respects to any other First Priority Note. All or any portion of the then outstanding principal amount of any Second Priority Note and all interest thereon shall be (A) junior in right of payment and in all other respects to all First Priority Notes and (B) pari passu in right of payment and in all other respects to any other Second Priority Note. If Investor receives payments in excess of its appropriate share of the Company's payments to the holders of the Notes, then Investor shall hold in trust all such excess payments for the benefit of the holders of other Notes and shall pay such amounts held in trust to such other holders upon demand by such holders. Except in connection with incurrence of Senior Debt but subject to Section 7(a), no Notes issued after the date of this Note or any agreements or other instruments and documents entered into or delivered in connection therewith shall provide any Investor with rights and privileges that are more favorable in the aggregate to such Investor than the rights and privileges of Investor hereunder.

3. **Events of Default.** The occurrence of any of the following shall constitute an "Event of Default" under this Note:

(a) *Failure to Pay.* The Company shall fail to pay (i) when due any principal payment on the due date hereunder or (ii) any interest payment or other payment required under the terms of this Note on the due date hereunder and such payment shall not have been made within five (5) Business Days of the Company's receipt of written notice to the Company of such failure to pay;

(b) *Other Breach.* The Company shall breach, in any material manner, any representation, warranty or covenant or other term or condition of any Transaction Document (other than the Registration Rights Agreement), except, in the case of a breach of a covenant that is curable, only if such breach continues for a period of at least fifteen (15) consecutive days after written notice thereof is delivered to the Company.

(c) *Senior Debt Default.* The occurrence of an Event of Default (as defined in the Senior Credit Agreement) or any Event of Default (or its equivalent) under any other Senior Debt.

(d) *Suspension from Trading.* The suspension from trading or failure of the Common Stock to be listed on the OTC markets, the pink sheets, NASDAQ, NYSE or other national securities exchange in the United States or Canada for a period of five (5) consecutive days or for more than ten (10) days in any 365-day period.

(e) *Voluntary Bankruptcy or Insolvency Proceedings.* The Company shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of its or any of its creditors, (iii) be dissolved or liquidated, (iv) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (v) take any action for the purpose of effecting any of the foregoing.

(f) *Involuntary Bankruptcy or Insolvency Proceedings.* Proceedings for the appointment of a receiver, trustee, liquidator or custodian of the Company, or of all or a substantial part of the property thereof, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to the Company or any of its subsidiaries, if any, or the debts thereof under any bankruptcy, insolvency or other similar law now or hereafter in effect shall be commenced and an order for relief entered or such proceeding shall not be dismissed or discharged within 60 days of commencement.

4. **Rights of Investor upon Default.** Subject to the terms of the Subordination Agreement:

(a) Upon the occurrence of any Event of Default (other than an Event of Default described in Sections 3(e) or 3(f)) and at any time thereafter during the continuance of such Event of Default, Investor may, with the written consent of the Required Investors, by written notice to the Company, declare all outstanding Obligations payable by the Company hereunder to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein to the contrary notwithstanding. Upon the occurrence of any Event of Default described in Sections 3(e) and 3(f), immediately and without notice, all outstanding Obligations payable by the Company hereunder shall automatically become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein to the contrary notwithstanding. In addition to the foregoing remedies, upon the occurrence and during the continuance of any Event of Default, Investor may, with the written consent of the Required Investors, exercise any other right, power or remedy granted to it by this Note or otherwise permitted to it by law, either by suit in equity or by action at law, or both.

(b) For so long as any Event of Default exists under this Note, regardless of whether or not there has been an acceleration of the Indebtedness evidenced by this Note, and in addition to all other rights and remedies of Investor hereunder, interest shall accrue on the Note principal at the Default Interest Rate, and such accrued interest shall be immediately due and payable. The Company acknowledges that it would be extremely difficult or impracticable to determine Investor's actual damages resulting from any late payment or Event of Default, and such late charges and accrued interest are reasonable estimates of those damages and do not constitute a penalty.

5. **Conversion.**

(a) *Automatic Conversion on IPO.* If, on or prior to the Maturity Date, the Company consummates an IPO, then the then outstanding principal amount of this Note together with all accrued and unpaid interest under this Note shall automatically convert that number of shares of Common Stock equal to the quotient of (1) all principal and accrued interest under the Notes being so converted, divided by (2) the Conversion Price.

(b) *Elective Conversion.* At any time prior to 5:00 p.m. on the last Business Day immediately preceding the Maturity Date, each Investor shall have the option to convert all or part of the principal and accrued interest under the Notes into that number of shares of Common Stock equal to the quotient of (1) all principal and accrued interest under the Notes being so converted, divided by (2) the Conversion Price.

(c) *Automatic Conversion Upon Change of Control.* If any Investor fails to make an election in accordance with Section 2(c), all principal and accrued interest under the Notes held by such Investor shall automatically convert into that number of shares of Common Stock equal to the quotient of (1) all principal and accrued interest under the Notes being so converted, divided by (2) the Conversion Price.

(d) *Conversion Procedures.*

(i) Conversion Pursuant to Section 5(a) or 5(c). If this Note is to be automatically converted pursuant to Section 5(a) or 5(c), written notice shall be delivered to Investor at the address last shown on the records of the Company for Investor or given by Investor to the Company for the purpose of notice, notifying Investor of the general terms of the conversion to be effected, specifying the Conversion Price, the principal amount of the Note to be converted, together with all accrued and unpaid interest and the date on which such conversion is expected to occur and calling upon Investor to surrender to the Company, in the manner and at the place designated, this Note. Upon such conversion of this Note, Investor hereby agrees to execute and deliver to the Company all transaction documents entered into by other purchasers/stockholders participating in the IPO or the Change of Control, as the case may be, including, but not limited to, any Customary Documents. Investor also agrees to deliver the original of this Note (or a notice to the effect that the original Note has been lost, stolen or destroyed and an agreement acceptable to the Company whereby the holder agrees to indemnify the Company from any loss incurred by it in connection with this Note) at the closing of the IPO or the Change of Control, as the case may be, for cancellation; provided, however, that upon the closing of the IPO or the Change of Control, as the case may be, this Note shall be deemed converted and of no further force and effect, whether or not it is delivered for cancellation as set forth in this sentence. Any conversion of this Note pursuant to Section 5(a) or 5(c) shall be deemed to have been made immediately prior to the closing of the IPO or the Change of Control, as the case may be, and on and after such date the Persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Common Stock.

(ii) Elective Conversion.

(1) Prior to conversion of this Note pursuant to any elective conversion under Section 5(b), Investor shall surrender this Note to the Company (or a notice to the effect that the original Note has been lost, stolen or destroyed and an agreement acceptable to the Company whereby the holder agrees to indemnify the Company from any loss incurred by it in connection with this Note). If an Investor elects to convert Notes pursuant to Section 5(b), such Investor shall give written notice to the Company thereof in accordance with Section 5(b) at the Company's principal corporate office, and shall state therein the amount of the then outstanding principal amount of the Notes, together with all accrued and unpaid interest, to be converted.

(2) Investor hereby agrees to execute and deliver to the Company upon such elective conversion of this Note all transaction documents entered into by other recipients of capital stock and, if applicable, any Customary Documents.

(3) The Company shall, as soon as practicable thereafter, issue and deliver to such Investor a certificate or certificates (or a notice of issuance of uncertificated shares, if applicable) for the number of shares of Common Stock to which Investor shall be entitled upon such conversion, including a check payable to Investor for any cash amounts payable as described in Section 5(d)(iii). Any elective conversion of this Note shall be deemed to have been made upon the satisfaction of all of the conditions set forth in this Section 5(d)(ii) and on and after such date the Persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Common Stock.

(iii) Fractional Shares; Interest; Effect of Conversion. No fractional shares of Common Stock shall be issued upon conversion of this Note. In lieu of the Company issuing any fractional shares of Common Stock to Investor upon the conversion of this Note, the Company shall pay to Investor an amount equal to the product obtained by multiplying the Conversion Price by the fraction of a share of Common Stock not issued pursuant to the previous sentence. In addition, to the extent not converted into shares of Common Stock, the Company shall pay to Investor any interest accrued on the amount converted and on the amount to be paid by the Company pursuant to the previous sentence. Upon conversion of this Note in full and the payment of the amounts specified in this paragraph, the Company shall be forever released from all its Obligations and liabilities under this Note and this Note shall be deemed of no further force or effect, whether or not the original of this Note has been delivered to the Company for cancellation. Notwithstanding anything herein to the contrary, Investor hereby waives the right to payment for fractional shares of Common Stock pursuant to this Section 5(d)(iii) if the aggregate amount owed to Investor upon conversion of this Note is less than \$5.00.

(e) *Notices of Record Date.* In the event of any Change of Control, the Company will mail written notice of such event to Investor at least thirty (30) days prior to the closing of a Change of Control, which notice period may be waived with the written consent of the Required Investors.

6. *Certain Adjustments*

(a) *Stock Dividends and Splits.* If the Company, at any time while this Note is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Note), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company (collectively with the actions described in (i), (ii), (iii) and (iv), a “**Share Reorganization**”), then in each case the Conversion Price shall be multiplied by a fraction, the numerator of which shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event, and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section 6(a) shall become effective immediately after the record date for the determination of stockholders entitled to participate in such Share Reorganization and shall become effective immediately after the effective date of such Share Reorganization, but if the Company shall legally abandon any such Share Reorganization prior to effecting such action, no adjustment shall be made pursuant to this Section 6(a) in respect of such action.

(b) *Pro Rata Distributions.* If the Company, at any time while this Note is outstanding, shall distribute to all or substantially all holders of Common Stock (and not to the Investors) evidences of its Indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than a Share Reorganization, then, in each such case, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction the denominator of which shall be the VWAP (as defined below) determined as of the record date, and the numerator of which shall be such VWAP on such record date less the then per share fair market value at such record date of the portion of such assets or evidence of Indebtedness so distributed applicable to one outstanding share of the Common Stock as determined by the Board of Directors in good faith; provided that in no event shall the Conversion Price be increased as a result of the application of this Section 6(b). In either case the adjustments shall be described in a statement provided to the Investor that holds the portion of assets or evidences of Indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustments shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above, but if the Company shall legally abandon any such distribution prior to effecting such distribution, no adjustments shall be made pursuant to this Section 6(b) in respect of such action. For purposes of this Section 6(b), “VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:00 p.m. (New York City time)), (b) if the OTC Bulletin Board is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if the Common Stock is not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Common Stock are then reported in the “Pink Sheets” published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Required Investors and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

(c) *Calculations.* All calculations under this Section 6 shall be made to the nearest cent or rounded down to the nearest whole share, as the case may be. For purposes of this Section 6, any calculation of the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall not include treasury shares, if any. Notwithstanding anything to the contrary in this Section 6, no adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least \$0.01 per share in such price; provided, however, that any adjustments which by reason of the immediately preceding sentence are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In any case in which this Section 6 shall require that an adjustment in the Conversion Price be made effective as of a record date for a specified event, if an Investor converts this Note after such record date, the Company may elect to defer, until the occurrence of such event, the issuance of the shares of Common Stock and other capital stock of the Company in excess of the shares of Common Stock and other capital stock of the Company, if any, issuable upon such exercise on the basis of the Conversion Price in effect prior to such adjustment; provided, however, that in such case the Company shall deliver to the Investor a due bill or other appropriate instrument evidencing the Investor’s right to receive such additional shares and/or other capital securities upon the occurrence of the event requiring such adjustment.

(d) *Par Value.* Notwithstanding anything to the contrary in this Note, in no event shall the Conversion Price be reduced below the par value of the Company's Common Stock.

7. **Covenants.**

(a) *Incurrence of Debt.* So long as this Note is outstanding, the Company shall not, and shall not permit any of its subsidiaries to, directly or indirectly, incur or guarantee, assume or suffer to exist any Indebtedness, other than (i) the Senior Debt not to exceed \$30,000,000 in the aggregate together with all Notes that are First Priority Notes pursuant to Section 7(a)(i), (ii) Indebtedness under this Note and all other Notes in the aggregate not to exceed \$19,900,000 in initial principal amount and (iii) Permitted Indebtedness.

(b) *Existence of Liens.* So long as this Note is outstanding, the Company shall not, and shall not permit any of its subsidiaries to, directly or indirectly, allow or suffer to exist Liens other than (i) pursuant to the Senior Debt and (ii) Permitted Liens.

(c) *Restricted Payments.* The Company shall not, nor shall it permit any of its subsidiaries to, directly or indirectly, redeem, defease, repurchase, repay or make any payments in respect of, by the payment of cash or cash equivalents (in whole or in part, whether by way of open market purchases, tender offers, private transactions or otherwise), all or any portion of any Permitted Indebtedness (other than the Senior Debt), whether by way of payment in respect of principal of (or premium, if any) or interest on, such Indebtedness if at the time such payment is due or is otherwise made or, after giving effect to such payment, an event constituting, or that with the passage of time and without being cured would constitute, an Event of Default has occurred and is continuing.

(d) *Participation.* Investor, as the holder of this Note, shall be entitled to receive such dividends paid and distributions made to the holders of Common Stock to the same extent as if Investor had converted this Note into Common Stock (without regard to any limitations on conversion herein or elsewhere) and had held such shares of Common Stock on the record date for such dividends and distributions. Payments under the preceding sentence shall be made concurrently with the dividend or distribution to the holders of Common Stock.

(e) *Noncircumvention.* The Company shall not, by amendment of its Certificate of Incorporation, Bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, and will at all times in good faith carry out all of the provisions of this Note and take all action as may be required to protect the rights of Investor.

8. **Miscellaneous.**

(a) *Subordination.* This Note is subordinated to all Senior Debt but is and shall remain at all times senior in right of payment and in all other respects to any other Indebtedness.

(b) *Waivers and Amendments.* Subject to the terms of the Subordination Agreement, any provision of this Note may be amended, waived or modified only with the written consent of the Company and of the Required Investors; provided, however, that no such amendment, waiver or consent shall: (i) reduce the principal amount of any Note without the affected Investor's written consent, or (ii) reduce the rate of interest of any Note without the affected Investor's written consent. Any amendment or waiver effected in accordance with this paragraph shall be binding upon all of the parties hereto.

(c) *Governing Law.* This Note and all actions arising out of or in connection herewith or therewith shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law provisions of the State of New York or of any other state.

(d) *Survival.* The representations, warranties, covenants and agreements made herein shall survive the execution and delivery of this Note.

(e) *Jurisdiction and Venue.* Investor and the Company irrevocably consent to the exclusive jurisdiction of, and venue in, the state courts in New York County in the State of New York or the United States District Court for the Southern District of the State of New York, in connection with any matter based upon or arising out of this Note or the matters contemplated herein or therein, and agree that process may be served upon them in any manner authorized by the laws of the State of New York for such Persons.

(f) *Waiver of Jury Trial; Judicial Reference.* Investor hereby agrees and the Company hereby waives their respective rights to a jury trial of any claim or cause of action based upon or arising out of this Note.

(g) *Successors and Assigns.* Subject to the restrictions on transfer set forth herein, the rights and obligations of the Company and Investor under this Note shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

(h) *Transfer and Replacement of this Note.* The Company will keep, at its principal executive office, books for the recordation of the Investors and recordation of transfer of this Note. Prior to presentation of this Note for transfer, the Company shall treat the Person in whose name this Note is recorded as the owner and holder of this Note for all purposes whatsoever, whether or not this Note shall be overdue, and the Company shall not be affected by notice to the contrary. Subject to any restrictions on or conditions to transfer set forth in this Note, the holder of this Note, at its option, may in person or by duly authorized attorney surrender the same for exchange at the Company's chief executive office, and promptly thereafter and at the Company's expense, except as provided below, receive in exchange therefor this Note in the principal requested by such holder, dated the date to which interest shall have been paid on this Note or, if no interest shall have yet been so paid, dated the date of this Note and recorded in the name of such Person or Persons as shall have been designated in writing by such holder or its attorney for the same principal amount as the then unpaid principal amount of this Note. Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of this Note and (a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it; or (b) in the case of mutilation, upon surrender thereof, the Company, at its expense, will execute and deliver in lieu thereof a new Note executed in the same manner as this Note, in the same principal amount as the unpaid principal amount of this Note and dated the date to which interest shall have been paid on this Note or, if no interest shall have yet been so paid, dated the date of this Note.

(i) *Transfer of this Note or Securities Issuable on Conversion Thereof.* This Note may not be transferred by Investor without the prior written consent of the Company; provided that all or any portion of Investor's rights in and to this Note may be sold, transferred or assigned by Investor at any time or from time to time to any person or entity who or which is an affiliate, partner, member, stockholder or other holder of equity securities of Investor or any of its controlling affiliates. Any shares of Common Stock of the Company into which this Note may be converted shall be subject to any transfer restrictions set forth in any Customary Documents.

(j) *Assignment by the Company.* The rights, interests or obligations of the Company hereunder may not be assigned, by operation of law or otherwise, in whole or in part, by the Company without the prior written consent of the Required Investors.

(k) *Entire Agreement.* This Note and the Transaction Documents to which Investor is a party constitute and contain the entire agreement among the Company and Investor and supersedes any and all prior agreements, negotiations, correspondence, understandings and communications among the parties, whether written or oral, respecting the subject matter hereof.

(l) *Notices.* All notices, requests, demands, consents, instructions or other communications required or permitted hereunder shall be in writing and faxed, mailed, emailed or delivered to each party as follows: (i) if to Investor, at Investor's address, facsimile number or electronic mail address set forth beneath Investor's name on the signature page hereto, or at such other address, facsimile number or electronic mail address as Investor shall have furnished the Company in writing, or (ii) if to the Company, at the Company's address, facsimile number or electronic mail address set forth beneath the Company's name on the signature page hereto, or at such other address, facsimile number or electronic mail address as the Company shall have furnished to Investor in writing. All such notices and communications will be deemed effectively given the earlier of (i) when received, (ii) when delivered personally, (iii) one business day after being deposited with an overnight courier service of recognized standing, (iv) four days after being deposited in the U.S. mail, first class with postage prepaid, (v) if sent via facsimile, upon confirmation of facsimile transfer or (vi) if sent via electronic mail, when directed to the relevant electronic mail address, if sent during normal business hours of the recipient, or if not sent during normal business hours of the recipient, then on the recipient's next business day.

(m) *Expenses.* The Company and Investor shall be responsible for their own legal fees and other expenses incurred in connection with the negotiation, drafting and execution of this Note. If (a) this Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding or Investor otherwise takes action to collect amounts due under this Note or to enforce the provisions of this Note or (b) there occurs any bankruptcy, reorganization, receivership of the Company or other proceedings affecting Company creditors' rights and involving a claim under this Note, then the Company shall pay the reasonable costs incurred by Investor for such collection, enforcement or action or in connection with such bankruptcy, reorganization, receivership or other proceeding, including, but not limited to, reasonable attorneys' fees and disbursements.

(n) *Severability of this Note.* If any provision of this Note shall be judicially determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(o) *Payment.* Unless converted into the Company's equity securities pursuant to the terms hereof, payment shall be made in lawful tender of the United States.

(p) *Usury.* If any interest is paid on this Note that is deemed to be in excess of the then legal maximum rate, then that portion of the interest payment representing an amount in excess of the then legal maximum rate shall be deemed a payment of principal and applied against the principal of this Note.

(q) *Waivers.* The Company hereby waives notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor and all other notices or demands relative to this instrument.

(r) *Counterparts.* This Note may be executed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same agreement. Facsimile or similar electronic copies (including .PDF format) of signed signature pages will be deemed binding originals.

(Signature Page Follows)

The parties have caused this Note to be duly executed and delivered as of the date first written above.

COMPANY:

BETTER CHOICE COMPANY INC.

a Delaware corporation

By:

Name: _____
Werner Von Pein

Title: Chief Executive Officer

Address: 164 Douglas Rd E
Oldsmar, Florida 34677

INVESTOR:

By: _____
(Signature)

Name: _____
(Print name of Investor)

Title: _____
(If signing on behalf of an entity)

Address:

SUBSCRIPTION AGREEMENT

This subscription agreement (this "**Subscription Agreement**") is made as of June 24, 2020, by and among the Investors identified on the signature pages hereto (the "**Investors**"), and Better Choice Company Inc., a Delaware corporation (the "**Company**"), and the parties hereto agree as follows:

1. Definitions.

In addition to the words and terms defined elsewhere in this Subscription Agreement, for all purposes of this Subscription Agreement, the following terms have the meanings set forth in this Section 1:

"**Closing**" means the closing of the purchase and sale of the Securities pursuant to Section 3.

"**Closing Date**" means the earlier to occur of (a) June 24, 2020 and (b) the day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to Closing have been satisfied or waived.

"**Common Stock**" means the common stock, par value \$0.001 per share, of the Company.

"**Conversion Price**" means \$0.75 per share.

"**Conversion Privilege**" means the right, at the option of the holder of Convertible Notes, to convert the principal amount of Convertible Notes into Common Stock at any time prior to the close of business on the last business day immediately preceding the two year anniversary of the issue date.

"**Convertible Notes**" means, collectively, the subordinated convertible promissory notes delivered to the Investors at the Closing in accordance with Section 3 hereof, which Convertible Notes shall bear interest at a rate of 10.0% per annum from the date of issue, payable quarterly in kind.

"**Convertible Note Shares**" means shares of Common Stock issuable upon conversion of the Convertible Notes at the Conversion Price.

"**Registration Rights Agreement**" means the Registration Rights Agreement, to be dated the Closing Date, among the Company, the Investors and any additional investors party thereto, substantially in the form attached hereto as Exhibit A.

"**Securities**" means the Convertible Notes, the Warrants, the Convertible Note Shares and the Warrant Shares.

"**Subscription Price**" means the original principal amount of the Convertible Notes subscribed for by the Investors.

"**Transaction Documents**" means this Subscription Agreement, the Convertible Notes, the Warrants, the Registration Rights Agreement and any other documents or agreements executed in connection with the transactions contemplated hereunder.

“**Warrants**” means, collectively, the Common Stock purchase warrants delivered to the Investors at the Closing in accordance with Section 3 hereof, which Warrants shall be exercisable at any time for a period ending on the earlier of (i) 84 months from the date of the consummation of an underwritten public offering or other uplist transaction through which the Company lists its Common Stock on the New York Stock Exchange, The Nasdaq Global Select Market, The Nasdaq Global Market or another national securities exchange in the United States or Canada or (ii) June 30, 2030, substantially in the form attached hereto as Exhibit B.

“**Warrant Exercise Price**” means \$1.25 per share.

“**Warrant Shares**” means the shares of Common Stock issuable upon exercise of the Warrants at the Warrant Exercise Price.

2. Subscription.

(a) The Company has authorized the sale and issuance to the Investors (the “**Offering**”) of the number of Convertible Notes and Warrants set forth on the signature page, and the Company desires to issue and sell to Investor the Convertible Notes and the Warrants in consideration for the payment of the Subscription Price.

(b) At the Closing, the Company and the Investors agree that the Investors will purchase from the Company and the Company will issue and sell to the Investor, upon the terms and conditions set forth herein, the number Convertible Notes and Warrants as determined pursuant to Section 2(a). The Investor acknowledges that the Offering is not being underwritten.

3. Closing and Delivery of the Convertible Notes and Warrants. On the Closing Date, upon the terms and conditions set forth herein, the Company shall deliver to the Investors the Convertible Notes and Warrants as determined pursuant to Section 2(a) simultaneously with the payment of the Subscription Price. Upon satisfaction of the covenants and conditions set forth herein, the Closing shall occur at the offices of Meister Seelig & Fein LLP, 125 Park Avenue, 7th Floor, New York, New York 10017, or such other location as the parties shall mutually agree.

4. Representations, Warranties and Covenants of the Company. The Company acknowledges, represents and warrants to, and agrees with, the Investors that:

(a) The Company is duly incorporated and validly existing under the laws of the State of Delaware, with full requisite power and authority to conduct its business as it is currently being conducted and to own its assets; and has secured any other authorizations, approvals, permits and orders required by law of any governmental or administrative body to enter into this Subscription Agreement, to carry out the provisions and conditions hereof, and for the conduct by the Company of its business as it is currently being conducted, as contemplated hereby and in the Company’s by-laws.

(b) The Company has the requisite corporate power and authority and has taken all requisite corporate action necessary for, and no further action on the part of the Company, its officers, directors and shareholders is necessary for, (i) the authorization, execution and delivery of the Transaction Documents, (ii) the authorization of the performance of all obligations of the Company hereunder or thereunder, and (iii) the issuance and delivery of the Convertible Notes and Warrants.

(c) The Convertible Note Shares and Warrant Shares to be issued by the Company to the Investors in accordance with the terms of the Convertible Notes and the Warrants, respectively, have been duly authorized and the Convertible Note Shares and Warrant Shares when issued and delivered in accordance with the terms and conditions of the Convertible Notes and the Warrants, respectively, will be validly issued, fully paid and non-assessable and free of any preemptive or similar rights.

(d) No authorization, approval, consent or license of any governmental regulatory body or authority is required for the valid authorization, issuance, sale and delivery of the Convertible Notes and Warrants subscribed for hereunder (other than as may be required under the securities or blue sky laws of the various states of the United States and jurisdictions outside the United States where the offering of such Securities is made).

(e) The execution and delivery of this Subscription Agreement and the consummation of the transactions contemplated hereby will not: (i) result in a breach or violation of any of the terms and provisions of, or constitute a default under, any law, rule or regulation to which the Company or any subsidiary is subject, or by which any property or asset of the Company or any subsidiary is bound or affected, (ii) conflict with, result in any violation or breach of, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any right of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, lease, credit facility, debt, note, bond, mortgage, indenture or other instrument or obligation or other understanding to which the Company or any subsidiary is a party or by which any property or asset of the Company or any subsidiary is bound or affected, or (iii) result in a breach or violation of any of the terms and provisions of, or constitute a default under, the Company's Certificate of Incorporation, except in the case of clauses (i) and (ii) such breaches, violations, defaults, or conflicts which are not, individually or in the aggregate, reasonably likely to result in a material adverse effect upon the business, properties, operations, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole, or in its ability to perform its obligations under this Subscription Agreement.

(f) This Subscription Agreement, when signed by the Company on the signature page hereof as contemplated hereby, shall be validly executed and delivered and shall be valid, binding and enforceable against it in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights in general and except that the equitable remedy of specific performance and other equitable remedies are subject to the discretion of the court in which they are sought.

(g) With the exception of obligations under (i) a registration rights agreement, dated as of December 12, 2018, and (ii) a registration rights agreement, dated as of May 6, 2019 (as amended by the first amendment thereto, dated as of June 10, 2019), the Company is not in default in the performance of any obligation, agreement or condition contained in any of its governing documents, any indenture, mortgage, deed of trust, credit agreement, note or other evidence of indebtedness or any lease or other agreement or understanding, or any license, permit, franchise or certificate, to which the Company is a party or by which the Company is bound or to which the Company's properties are subject, nor is the Company in violation of any statute, regulation, law, order, writ, injunction, judgment or decree to which it is subject, which default or violation would materially adversely affect the business or financial condition of the Company, or impair the Company's ability to carry out its obligations under this Subscription Agreement or under its governing documents.

(j) There is no litigation, investigation or other proceeding pending or, to the Company's knowledge, threatened against the Company which, if adversely determined, would materially adversely affect the business, financial condition or prospects of the Company or the ability of the Company to perform its obligations under this Subscription Agreement.

(k) To the extent offer and sale of the Securities pursuant to this Subscription Agreement is intended to be exempt from registration pursuant to Regulation S promulgated under the Securities Act (as defined below) ("**Regulation S**"), the Company has not engaged, nor will engage, in any directed selling efforts (as such term is defined in Regulation S) in the United States with respect to the Securities.

(l) The authorized capital stock of the Company immediately upon the consummation of the transactions contemplated by the Subscription Agreement shall consist of:

- i. 4,000,000 authorized shares of preferred stock, of which 2,900,000 shares have been duly designated as Series E Preferred Stock ("**Preferred Stock**"). There are 1,387,378 shares of Preferred Stock duly and validly issued and outstanding, fully paid and non-assessable, with no personal liability attaching to the ownership thereof, which shares are convertible into an aggregate of 1,760,903 shares of Common Stock;
- ii. 88,000,000 shares shall have been duly designated as Common Stock, of which 48,939,708 shares are duly and validly issued and outstanding, fully paid and non-assessable, with no personal liability attaching to the ownership thereof;
- iii. 8,053,371 shares of Common Stock shall have been duly reserved for issuance upon exercise of options issued pursuant to the 2019 Incentive Award Plan;
- iv. 15,087,976 shares of Common Stock shall have been duly reserved for issuance upon exercise of the outstanding warrants;
- v. 5,037,648 shares of Common Stock shall have been duly reserved for issuance upon conversion of the outstanding convertible notes; and

vi. 2,000,000 shares of Common Stock shall have been duly reserved for issuance upon exercise of the Warrants and 2,000,000 shares of Common Stock shall have been duly reserved for issuance upon conversion of the Convertible Notes.

5. Representations, Warranties and Covenants of each of the Investors. As subscriber to this Subscription Agreement, each Investor acknowledges, represents and warrants to, and agrees with, the Company that:

(a) Such Investor has full right, power, authority and capacity to enter into this Subscription Agreement and to consummate the transactions contemplated hereby and has taken all necessary corporate action to authorize the execution, delivery and performance of this Subscription Agreement.

(b) Such Investor acknowledges its understanding and agreement that the Convertible Notes and Warrants are being offered in a transaction not involving any public offering within the United States in reliance on an exemption from registration within the meaning of Section 4(a)(2) of the Securities Act of 1933, as amended (the "*Securities Act*"), and such Securities have not been and will not be registered under, or registered or qualified by a prospectus under any other securities laws, and, accordingly, may not be reoffered, resold, pledged, hypothecated or otherwise transferred unless an exemption from such registration or prospectus requirement is available. Such Investor understands that the Company does not intend, and has no obligation, to register the Securities under the Securities Act or register or qualify such Securities pursuant to a prospectus under any other securities laws or otherwise to assist such Investor in complying with any exemption from the registration or prospectus requirements of federal, state or other securities laws or obtaining any such opinion.

(c) Such Investor acknowledges that the Company is relying on such Investor's representations and warranties below in connection with this Subscription Agreement. Each Investor represents and warrants to the Company as follows:

- i. Such Investor has all requisite power and authority to enter into this Subscription Agreement and perform all obligations required to be performed by such Investor hereunder. The signature on this Subscription Agreement is genuine, and the signatory has been duly authorized to execute the same, and this Subscription Agreement constitutes a legal, valid and binding obligation of such Investor, enforceable in accordance with its terms.
- ii. Such Investor is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act and has completed, executed and delivered to the Company, the Investor Questionnaire in the form attached hereto as Exhibit C.
- iii. Such Investor realizes that the basis for exemption would not be available if the Offering was part of a plan or scheme to evade registration provisions of the Securities Act or any applicable state or federal securities laws.

- iv. Such Investor is subscribing for, and acquiring, the Securities hereunder solely for such Investor's own beneficial account for investment and not with a view to, or for resale in connection with, any distribution or public offering within the meaning of the Securities Act.
- v. Such Investor acknowledges and understands that the Securities may not be resold by such Investor unless such resale is registered under the Securities Act or such resale is effected pursuant to a valid exemption from the registration requirements of the Securities Act.
- vi. Such Investor has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Company. Such Investor's financial situation is such that such Investor can afford to bear the economic risk of holding the Securities for an indefinite period of time, and can afford to suffer the complete loss of an investment in the Company. Such Investor understands that it must bear the economic risk of an investment for an indefinite period of time because, among other reasons, the offering and sale of the Securities have not been registered under the Securities Act and, therefore, the Securities cannot be sold unless it is subsequently registered under the Securities Act or an exemption from such registration is available.
- vii. Such Investor has adequately analyzed the risks of an investment in the Company and the Securities and determined, based upon Such Investor's own judgment, due diligence (and has sought such accounting, legal and tax advice as such Investor has considered necessary to make an informed investment decision) and not upon any view expressed by any other person or entity, that an investment in the Company and the Securities are a suitable investment for such Investor and that such Investor has the financial ability at this time and in the foreseeable future to bear the economic risk of a total loss of such Investor's investment in the Company and the Securities, has adequate means for providing for its current needs and contingencies, and has no need for liquidity with respect to an investment in the Company.
- viii. Such Investor has had a reasonable opportunity to ask questions of and receive answers from a person or persons acting on behalf of the Company concerning the Offering and the business, financial condition, results of operations and prospects of the Company. Such Investor has had access to such information concerning the Company and the Securities as it deems necessary to make an informed investment decision concerning the purchase of the Securities.
- ix. Such Investor is unaware of, and is in no way relying on, any form of general solicitation or general advertising, including, without limitation, any article, notice, advertisement or other communication published in any newspaper, magazine or similar media or broadcast over television or radio, or electronic mail over the Internet, in connection with the Offering and is not subscribing for Convertible Notes and Warrants and did not become aware of the Offering through or as a result of any seminar or meeting to which such Investor was invited by, or any solicitation of a subscription by, a person not previously known to such Investor in connection with investments in securities generally.

- x. To the extent the offer and sale of the Securities pursuant to this Subscription Agreement is intended to be exempt from registration pursuant to Regulation S, such Investor represents, warrants and agrees that such Investor: (i) is not a U.S. Person, as such term is defined in Regulation S; (ii) is outside the United States at the time the buy order pursuant to this Agreement is originated and this Agreement is executed and delivered; (iii) will not, during the period commencing on the date hereof and ending on the six (6) months anniversary of such date, or such shorter period as may be permitted by Regulation S or other applicable securities law (“**Compliance Period**”), offer, sell, pledge or otherwise transfer the Securities in the United States, or to a U.S. Person for the account or benefit of a U.S. Person, or otherwise in a manner that is not in compliance with Regulation S; (iv) after the expiration of the Compliance Period, will offer, sell, or otherwise transfer the Securities only pursuant to registration under the Securities Act or an available exemption therefrom and, in accordance with all applicable state and foreign securities laws; and (v) has not engaged in, and prior to the expiration of the Compliance Period will not engage in, any short selling of or any hedging transaction with respect to the Securities in the United States.

(d) Such Investor will not sell or otherwise transfer any Securities except pursuant to a registration of the Securities under the Securities Act or in a transaction exempt from, the registration requirements of the Securities Act. In particular, such Investor is aware that the Securities are “restricted securities,” as such term is defined in Rule 144 promulgated under the Securities Act (“**Rule 144**”), and they may not be sold pursuant to Rule 144 unless all of the conditions of Rule 144 are met. The Company covenants that it will use its commercially reasonable efforts to timely file all reports and other documents required to be filed by it under the Securities Act and the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and the rules and regulations promulgated by the Securities and Exchange Commission (or, if the Company is not required to file such reports, it will, upon the request of such Investor, make publicly available such information as necessary to permit sales pursuant to Rule 144 under the Securities Act), and it will use commercially reasonable efforts to take such further action as Investor may reasonably request. Such Investor understands that the Company or its transfer agent may establish procedures for approval of transfers, including transfers sought to be permitted under Rule 144, which may result in delays in desired sales or transfers by such Investor.

(e) Such Investor understands that the Securities have not been and will not be registered under the Securities Act by reason of their issuance in transactions exempt from the registration and prospectus delivery requirements of the Securities Act, the availability of which exemption or exemptions depends upon, among other things, the bona fide nature of the investment intent as expressed by such Investor herein. Such Investor acknowledges that, to the extent all or part of the Securities (or other securities issued upon any transfer of the Securities) shall be stamped or otherwise imprinted with a legend in substantially the following form (the “**Restrictive Legend**”) for as long as such Securities are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND, ACCORDINGLY, MAY NOT BE TRANSFERRED UNLESS (I) SUCH SECURITIES HAVE BEEN REGISTERED FOR SALE PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, (II) SUCH SECURITIES MAY BE SOLD PURSUANT TO RULE 144 OR OTHER AVAILABLE EXEMPTION, OR (III) THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH TRANSFER MAY LAWFULLY BE MADE WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

6. Conditions to Obligations of the Company and the Investors:

- (a) The obligations of the Company hereunder in connection with the Closing are subject to the following conditions being met:
 - i. the accuracy in all material respects on the Closing Date of the representations and warranties of each Investor contained herein;
 - ii. all obligations, covenants and agreements of each Investor required to be performed at or prior to the Closing Date shall have been performed; and
 - iii. the delivery by each Investor of the Subscription Price.
- (b) The obligations of each Investor hereunder in connection with the Closing are subject to the following conditions being met:
 - i. the accuracy in all material respects on the Closing Date of the representations and warranties of the Company contained herein;
 - ii. all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed; and
 - iii. the delivery by the Company of duly executed copies of the Transactions Documents and evidence, reasonably acceptable to each Investor, that the Convertible Notes and Warrants have been issued in book-entry or certificated form, as applicable.

7. Miscellaneous.

(a) *Entire Agreement; Modifications.* Except as otherwise provided herein, this Subscription Agreement constitutes the entire understanding and agreement between the parties with respect to its subject matter and there are no agreements or understandings with respect to the subject matter hereof which are not contained in this Subscription Agreement. This Subscription Agreement may be modified only in writing signed by the Company and each Investor.

(b) *Counterparts.* This Subscription Agreement may be executed in any number of counterparts, all of which shall be deemed an original, but all of which together shall constitute one and the same instrument and shall become effective when counterparts have been signed by each party and delivered to the other parties hereto, it being understood that all parties need not sign the same counterpart. Execution may also be made by delivery of a facsimile or e-mail, which shall be deemed an original.

(c) *Notices.* All notices or other communications required or permitted to be provided hereunder shall be in writing and shall be deemed effectively given (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed e-mail or facsimile if sent during normal business hours of the recipient, if not, then on the next business day, (iii) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the Company or the Investors, as applicable, at the address for such recipient listed on the signature pages hereto or at such other address as such recipient has designated by two days advance written notice to the other parties hereto.

(d) *Third Party Beneficiaries.* This Subscription Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

(e) *Governing Law.* This Subscription Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to the choice of law principles thereof (other than sections 5-1401 and 5-1402 of the General Obligations Laws).

(f) *WAIVER OF JURY TRIAL.* IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.

(g) Each party agrees to cooperate fully with the other party hereto and to execute such further instruments, documents and agreements and to give such further written assurance as may be reasonably requested by the other party to evidence and reflect the transactions described herein and contemplated hereby and to carry into effect the intents and purposes of this Subscription Agreement.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have executed this Subscription Agreement effective as of the date first written above.

BETTER CHOICE COMPANY INC.

By:

Name: Werner Von Pien

Title: Chief Executive Officer

Address: 164 Douglas Rd E
Oldsmar, Florida 34677

Email: wvonpein@halopets.com

IN WITNESS WHEREOF, the parties hereto have executed this Subscription Agreement effective as of the date first written above.

INVESTOR:

By: _____
Name:
Title:

Convertible Note Dollar Amountt (Subscription Price): \$ _____
Convertible Note Share Amount: _____
Warrant Share Amount: _____

Address:

Email
Address:

Exhibit A

Form of Registration Rights Agreement

Exhibit B

Form of Warrants

Exhibit C

INVESTOR QUESTIONNAIRE

To: Better Choice Company Inc.

This Investor Questionnaire (“*Questionnaire*”) must be completed by each potential investor in connection with the offer and sale of the subordinated convertible promissory notes and common stock purchase warrants (collectively, the “*Securities*”), of Better Choice Company Inc., a Delaware corporation (the “*Company*”). The Securities are being offered and sold by the Company in the United States without registration under the Securities Act of 1933, as amended (the “*Securities Act*”), and the securities laws of certain states, in reliance on the exemptions contained in Section 4(a)(2) of the Securities Act and on Regulation D promulgated thereunder and in reliance on similar exemptions under applicable state laws. The Company must determine that a potential investor meets certain suitability requirements before offering or selling the Securities to such investor. The purpose of this Questionnaire is to assure the Company that each investor will meet the applicable suitability requirements. The information supplied by you will be used in determining whether you meet such criteria, and reliance upon the private offering exemptions from registration is based in part on the information herein supplied.

This Questionnaire does not constitute an offer to sell or a solicitation of an offer to buy any security. By signing this Questionnaire, you will be authorizing the Company to provide a completed copy of this Questionnaire to such parties as the Company deems appropriate in order to ensure that the offer and sale of the Securities will not result in a violation of the Securities Act or the securities laws of any state and that you otherwise satisfy the suitability standards applicable to purchasers of the Securities. All potential investors must answer all applicable questions and complete, date and sign this Questionnaire. Please print or type your responses and attach additional sheets of paper if necessary to complete your answers to any item.

PART A. BACKGROUND INFORMATION

Name of Beneficial Owner of the Securities: _____

Business Address: _____
(Number and Street)

City: _____ State: _____ Zip Code: _____

Telephone Number: _____

If a corporation, partnership, limited liability company, trust or other entity:

Type of entity: _____

Country/State of formation: _____ Approximate Date of formation: _____

Were you formed for the purpose of investing in the securities being offered? Yes No

If an individual:

Residence Address: _____
(Number and Street)

City: _____ State: _____ Zip Code: _____

Telephone Number: _____

Age: _____ Citizenship: _____ Where registered to vote: _____

Set forth in the space provided below the state(s), if any, in the United States in which you maintained your residence during the past two years and the dates during which you resided in each state:

Are you a director or executive officer of the Company?

Yes

No

Social Security or Taxpayer Identification No.:

PART B. ACCREDITED INVESTOR QUESTIONNAIRE

In order for the Company to offer and sell the Securities in conformance with state and federal securities laws, the following information must be obtained regarding your investor status. Please initial each category applicable to you as a purchaser of Securities of the Company.

- (1) A bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity;
- (2) A broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended (the 'Exchange Act');
- (3) An insurance company as defined in Section 2(a)(13) of the Securities Act;
- (4) An investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that act;
- (5) A Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958;
- (6) A plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000;
- (7) An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;
- (8) A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;
- (9) An organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the Securities, with total assets in excess of \$5,000,000;
- (10) A trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Securities, whose purchase is directed by a sophisticated person who has such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks of investing in the Corporation;

- (11) A natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds \$1,000,000 (exclusive of the value of that person's primary residence);
- (12) A natural person who had an individual income in excess of \$200,000 in each of the two most recent years, or joint income with that person's spouse in excess of \$300,000, in each of those years, and has a reasonable expectation of reaching the same income level in the current year;
- (13) An executive officer or director of the Company;
- (14) An entity in which all of the equity owners qualify under any of the above subparagraphs. If the undersigned belongs to this investor category only, list the equity owners of the undersigned, and the investor category which each such equity owner satisfies.

PART C. BAD ACTOR QUESTIONNAIRE

1. During the past ten years, have you been convicted of any felony or misdemeanor that is related to any securities matter?

Yes (If yes, please continue to Question 1.a)

No (If no, please continue to Question 2)

- a) If your answer to Question 1 was "yes", was the conviction related to: (i) the purchase or sale of any security; (ii) the making of any false filing with the Securities and Exchange Commission (the "SEC"); or (iii) the conduct of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities?

Yes No

2. Are you subject to any court injunction or restraining order entered during the past five years that is related to any securities matter?

Yes (If yes, please continue to Question 2.a)

No (If no, please continue to Question 3)

- a) If your answer to Question 2 was "yes", does the court injunction or restraining order currently restrain or enjoin you from engaging or continuing to engage in any conduct or practice related to: (i) the purchase or sale of any security; (ii) the making of any false filing with the SEC; or (iii) the conduct of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities?

Yes No

3. Are you subject to any final order¹ of any governmental commission, authority, agency or officer²(2) related to any securities, insurance or banking matter?

Yes (If yes, please continue to Question 3.a)

No (If no, please continue to Question 4)

a) If your answer to Question 3 was “yes”:

i) Does the order currently bar you from: (i) associating with an entity regulated by such commission, authority, agency or officer; (ii) engaging in the business of securities, insurance or banking; or (iii) engaging in savings association or credit union activities?

Yes No

ii) Was the order (i) entered within the past ten years and (ii) based on a violation of any law or regulation that prohibits fraudulent, manipulative or deceptive conduct?

Yes No

4. Are you subject to any SEC disciplinary order³(3)?

Yes (If yes, please continue to Question 4.a)

No (If no, please continue to Question 5)

a) If your answer to Question 4 was “yes”, does the order currently: (i) suspend or revoke your registration as a broker, dealer, municipal securities dealer or investment adviser; (ii) place limitations on your activities, functions or operations; or (iii) bar you from being associated with any particular entity or class of entities or from participating in the offering of any penny stock?

5. Are you subject to any SEC cease and desist order entered within the past five years?

Yes (If yes, please continue to Question 5.a)

No (If no, please continue to Question 6)

a) If your answer to Question 5 was “yes”, does the order currently require you to cease and desist from committing or causing a violation or future violation of (i) any knowledge-based anti-fraud provision of the U.S. federal securities laws⁴ or (ii) Section 5 of the Securities Act?

Yes No

¹ A “final order” is defined under Rule 501(g) as a written directive or declaratory statement issued by a federal or state agency described in Rule 506(d)(1)(iii) under applicable statutory authority that provides for notice and an opportunity for a hearing, and that constitutes a final disposition or action by such federal or state agency.

² You may limit your response to final orders of: (i) state securities commissions (or state agencies/officers that perform a similar function); (ii) state authorities that supervise or examine banks, savings associations or credit unions; (iii) state insurance commissions (or state agencies/officers that perform a similar function); (iv) federal banking agencies; (v) the U.S. Commodity Futures Trading Commission; or (vi) the U.S. National Credit Union Administration.

³ You may limit your response to disciplinary orders issued pursuant to Sections 15(b) or 15B(c) of the Exchange Act or Section 203(e) or (f) of the Investment Advisers Act of 1940 (the “Advisers Act”).

⁴ Including (but not limited to) Section 17(a)(1) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Section 15(c)(1) of the Exchange Act, and Section 206(1) of the Advisers Act or any other rule or regulation thereunder.

6. Have you been suspended or expelled from membership in, or suspended or barred from association with a member of, a registered national securities exchange or a registered national or affiliated securities association?

Yes (If yes, please describe the basis of any such suspension or expulsion and any related details in the space provided under Question 10 below)⁵

No (If no, please continue to Question 7)

7. Have you registered a securities offering with the SEC, made an offering under Regulation A or been named as an underwriter in any registration statement or Regulation A offering statement filed with the SEC?

Yes (If yes, please continue to Question 7.a)

No (If no, please continue to Question 8)

a) If your answer to Question 7 was "yes":

i) During the past five years, was any such registration statement or Regulation A offering statement the subject of a refusal order, stop order or order suspending the Regulation A exemption?

Yes No

ii) Is any such registration statement or Regulation A offering statement currently the subject of an investigation or proceeding to determine whether a stop order or suspension order should be issued?

Yes No

8. Are you subject to a U.S. Postal Service false representation order entered within the past five years?

Yes No

9. Are you currently subject to a temporary restraining order or preliminary injunction with respect to conduct alleged by the U.S. Postal Service to constitute a scheme or device for obtaining money or property through the mail by means of false representations?

Yes No

10. In the space provided below, describe any facts or circumstances that caused you to answer "yes" to any Question (indicating the corresponding Question number). Attach additional pages if necessary.

A. FOR EXECUTION BY AN INDIVIDUAL:

By: _____

Print Name: _____

Date

⁵ In providing additional information, please explain whether or not the suspension or expulsion resulted from "any act or omission to act constituting conduct inconsistent with just and equitable principles of trade."

B. FOR EXECUTION BY AN ENTITY:

Entity Name: _____

By: _____

Print Name: _____

Title: _____

Date

C. ADDITIONAL SIGNATURES (if required by partnership, corporation or trust document):

Entity Name: _____

By: _____

Print Name: _____

Title: _____

Date

Entity Name: _____

By: _____

Print Name: _____

Title: _____

Date

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of June 24, 2020 by and among Better Choice Company Inc., a Delaware corporation (the "Company"), and the "Investors" named in the Subscription Agreement, dated June 24, 2020, by and among the Company and the Investors identified on the signature pages thereto (the "Subscription Agreement"). Capitalized terms used herein have the respective meanings ascribed thereto in the Subscription Agreement unless otherwise defined herein.

The parties hereby agree as follows:

1. Certain Definitions.

As used in this Agreement, the following terms shall have the following meanings:

"1933 Act" means the Securities Act of 1933, as amended, and all of the rules and regulations promulgated thereunder.

"1934 Act" means the Securities Exchange Act of 1934, as amended, and all of the rules and regulations promulgated thereunder.

"Affiliate" of any Person means any other Person controlled by, controlling or under common control with such Person; provided that the Company and its Subsidiaries shall not be deemed to be Affiliates of any holder of Registrable Securities. As used in this definition, "control" (including, with its correlative meanings, "controlling," "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities, by contract or otherwise). With respect to any Person who is an individual, "Affiliates" shall also include, without limitation, any member of such individual's Family Group.

"Board" means the Board of Directors of the Company.

"Brown" means The Edward J. Brown, Jr. Trust.

"Business Day" means any day that is not a Saturday or Sunday or a legal holiday in the state in which the Company's chief executive office is located or in New York, NY.

"Capital Stock" means (i) with respect to any Person that is a corporation, any and all shares, interests or equivalents in capital stock of such corporation (whether voting or nonvoting and whether common or preferred) and (ii) with respect to any Person that is not a corporation, individual or governmental entity, any and all partnership, membership, limited liability company or other equity interests of such Person that confer on the holder thereof the right to receive a share of the profits and losses of, or the distribution of assets of, the issuing Person, including in each case any and all warrants, rights (including conversion and exchange rights) and options to purchase any of the foregoing.

"Common Stock" means the common stock, par value \$0.001 per share, of the Company.

“Conversion Price” means \$0.75 per share.

“Convertible Note Shares” means shares of Common Stock issuable upon conversion of the Convertible Notes at the Conversion Price.

“Convertible Notes” means, collectively, the subordinated convertible promissory notes delivered to the Investors on the date hereof, which Convertible Notes shall bear interest at a rate of 10.0% per annum from the date of issue, payable quarterly in kind.

“Family Group” means, with respect to a Person who is an individual, (i) such individual’s spouse and descendants (whether natural or adopted) (collectively, for purposes of this definition, “relatives”), (ii) such individual’s executor or personal representative, (iii) any trust, the trustee of which is such individual or such individual’s executor or personal representative and which at all times is and remains solely for the benefit of such individual and/or such individual’s relatives, (iv) any corporation, limited partnership, limited liability company or other tax flow-through entity the governing instruments of which provide that such individual or such individual’s executor or personal representative shall have the exclusive, nontransferable power to direct the management and policies of such entity and of which the sole record and beneficial owners of stock, partnership interests, membership interests or any other equity interests are limited to such individual, such individual’s relatives and/or the trusts described in clause (iii) above, and (v) any retirement plan for such individual.

“FINRA” means the Financial Industry Regulatory Authority.

“Investors” means the Investors identified in the Subscription Agreement and any Affiliate or permitted transferee of any such Investor who is a subsequent holder of Registrable Securities.

“IPO Price” means the price at which the Common Stock was sold in the IPO.

“JOBS Act” means The Jumpstart Our Business Startups Act of 2012, as amended, and the rules and regulations promulgated by the SEC thereunder.

“Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

“Prospectus” means (i) the prospectus included in any Registration Statement, as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and by all other amendments and supplements to the prospectus, including post-effective amendments and all material incorporated by reference in such prospectus, and (ii) any “free writing prospectus” as defined in Rule 405 under the 1933 Act.

“Register,” “registered” and “registration” refer to a registration made by preparing and filing a Registration Statement or similar document in compliance with the 1933 Act, and the declaration or ordering of effectiveness of such Registration Statement or document.

“Registrable Securities” means (i) the Common Stock issuable upon the conversion of the Convertible Notes, (ii) the Common Stock issuable upon the exercise of the Warrants and (iii) any other shares of Common Stock issued pursuant to a stock split, as a dividend or other distribution with respect to, in exchange for or in replacement of the Convertible Note Shares or the Warrant Shares; provided, however, that any such Registrable Securities shall cease to be Registrable Securities (and the Company shall not be required to maintain the effectiveness of any, or file another, Registration Statement hereunder with respect thereto) upon the first to occur of (A) a Registration Statement with respect to the sale all of such Registrable Securities being declared effective by the SEC under the 1933 Act and such Registrable Securities having been disposed of or transferred by the holder thereof in accordance with such effective Registration Statement, (B) such Registrable Securities having been previously sold or transferred in accordance with Rule 144 (or another exemption from the registration requirements of the 1933 Act), (C) such securities becoming eligible for resale without volume or manner-of-sale restrictions and without current public information requirements pursuant to Rule 144 and (D) the third anniversary of this Agreement.

“Registration Statement” means any registration statement of the Company under the 1933 Act that covers the resale of any of the Registrable Securities pursuant to the provisions of this Agreement, amendments and supplements to such Registration Statement, including post-effective amendments, all exhibits and all material incorporated by reference in such Registration Statement.

“Required Investors” means the Investors holding a majority of the Registrable Securities outstanding from time to time.

“Rule 144” means Rule 144 promulgated by the SEC pursuant to the 1933 Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC having substantially the same effect as such Rule.

“Rule 158” means Rule 158 promulgated by the SEC pursuant to the 1933 Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC having substantially the same effect as such Rule.

“Rule 172” means Rule 172 promulgated by the SEC pursuant to the 1933 Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC having substantially the same effect as such Rule.

“Rule 405” means Rule 405 promulgated by the SEC pursuant to the 1933 Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC having substantially the same effect as such Rule.

“Rule 415” means Rule 415 promulgated by the SEC pursuant to the 1933 Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC having substantially the same effect as such Rule.

“Rule 416” means Rule 416 promulgated by the SEC pursuant to the 1933 Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC having substantially the same effect as such Rule.

“Rule 424” means Rule 424 promulgated by the SEC pursuant to the 1933 Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC having substantially the same effect as such Rule.

“Rule 430B” means Rule 430B promulgated by the SEC pursuant to the 1933 Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC having substantially the same effect as such Rule.

“SEC” means the U.S. Securities and Exchange Commission.

“SEC Guidance” means (i) any publicly-available written or oral guidance of the SEC staff, or any comments, requirements or requests of the SEC staff and (ii) the 1933 Act.

“Subsidiary” means, with respect to the Company, any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by the Company or one or more of the other Subsidiaries of the Company or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the limited liability company, partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by the Company or one or more Subsidiaries of the Company or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control the managing director or general partner of such limited liability company, partnership, association or other business entity.

“Warrant Exercise Price” means \$1.25 per share.

“Warrant Shares” means the shares of Common Stock issuable upon exercise of the Warrants at the Warrant Exercise Price.

“Warrants” means (i) the warrants to purchase Common Stock acquired by the Investors pursuant to the Subscription Agreement.

“WKSI” means a “well-known seasoned issuer” as defined under Rule 405.

“Word” means John M. Word, III.

2. Registration.

(a) Registration Statement.

(i) The Company shall take commercially reasonable efforts to prepare and file with the SEC one Registration Statement covering the resale of all of the Registrable Securities (a “Shelf Registration”) by December 31, 2021 (the “Filing Deadline”) which, for the avoidance of doubt, may also register the sale of primary securities. Such Registration Statement also shall cover, to the extent allowable under the 1933 Act and the rules promulgated thereunder (including Rule 416), such indeterminate number of additional shares of Common Stock resulting from stock splits, stock dividends or similar transactions with respect to the Registrable Securities. Upon request, such Registration Statement (and each amendment or supplement thereto, and each request for acceleration of effectiveness thereof) shall be provided to the Investors prior to its filing or other submission.

(ii) The Company shall take commercially reasonable efforts to register the Registrable Securities on Form S-3 following the date such form is available for use by the Company, provided that if at such time the Registration Statement is on Form S-1, the Company shall maintain the effectiveness of the Registration Statement then in effect until such time as a Registration Statement on Form S-3 covering the Registrable Securities has been declared effective by the SEC.

(b) Effectiveness.

(i) The Company shall use best efforts to have the Registration Statements declared effective as soon as practicable. The Company shall notify the Investors by facsimile or e-mail as promptly as practicable, and in any event, within forty-eight (48) hours, after (x) the SEC notified the Company that it has no further comments to the Registration Statement and (y) any Registration Statement is declared effective, and shall simultaneously provide the Investors with access to a copy of any related Prospectus to be used in connection with the sale or other disposition of the securities covered thereby.

(ii) Notwithstanding anything to the contrary contained herein, the Company may, upon written notice to any holder of Registrable Securities included in a Registration Statement, suspend the use of any Registration Statement, including any Prospectus that forms a part of a Registration Statement, if the Company (X) determines that it would be required to make disclosure of material information in the Registration Statement that the Company has a bona fide business purpose for preserving as confidential, (Y) the Company determines it must amend or supplement the Registration Statement or the related Prospectus so that such Registration Statement or Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the case of the Prospectus in light of the circumstances under which they were made, not misleading or (Z) the Company has experienced or is experiencing some other material non-public event, including a pending transaction involving the Company, the disclosure of which at such time, in the good faith judgment of the Company, would adversely affect the Company; provided, however, in no event shall holders of Registrable Securities be suspended from selling Registrable Securities pursuant to the Registration Statement for a period that exceeds 120 calendar days (which need not be consecutive) in any 360-day period (any such suspension contemplated by this Section 2(b)(ii), an "Allowed Delay"). Upon disclosure of such information or the termination of the condition described above, the Company shall provide prompt notice to holders whose Registrable Securities are included in the Registration Statement, and shall promptly terminate any suspension of sales it has put into effect and shall take such other reasonable actions to permit registered sales of Registrable Securities as contemplated hereby.

(c) Rule 415; Cutback. If at any time the SEC takes the position that the offering of some or all of the Registrable Securities in a Registration Statement is not eligible to be made on a delayed or continuous basis under the provisions of Rule 415 under the 1933 Act (provided, however, the Company shall be obligated to use commercially reasonable efforts to advocate with the SEC for the registration of all of the Registrable Securities in accordance with the SEC Guidance, including without limitation, Compliance and Disclosure Interpretation 612.09) or requires any Investor to be named as an “underwriter,” the Company shall (i) promptly notify each holder of Registrable Securities thereof and (ii) make commercially reasonable efforts to persuade the SEC that the offering contemplated by such Registration Statement is a valid secondary offering and not an offering “by or on behalf of the issuer” as defined in Rule 415 and that none of the Investors is an “underwriter.” The Investors shall have the right to select one legal counsel, at the Company’s expense, designated by the holders of a majority of the Registrable Securities to review and oversee any registration or matters pursuant to this Section 2(c), including participation in any meetings or discussions with the SEC regarding the SEC’s position and to comment on any written submission made to the SEC with respect thereto. No such written submission with respect to this matter shall be made to the SEC to which the Investors’ counsel reasonably objects. In the event that, despite the Company’s commercially reasonable efforts and compliance with the terms of this Section 2(c), the SEC refuses to alter its position, the Company shall (i) remove from such Registration Statement such portion of the Registrable Securities (the “Cut Back Shares”) and/or (ii) agree to such restrictions and limitations on the registration and resale of the Registrable Securities as the SEC may require to assure the Company’s compliance with the requirements of Rule 415 (collectively, the “SEC Restrictions”); provided, however, that the Company shall not agree to name any Investor as an “underwriter” in such Registration Statement without the prior written consent of such Investor. In the event of a cutback hereunder, the Company shall give the Investor prompt written notice along with the calculations as to such Investor’s allotment. Any cut-back imposed on the Investors pursuant to this Section 2(c) shall be allocated among the Investors on a pro rata basis and shall be applied first to any of the Registrable Securities of such Investor as such Investor shall designate, unless the SEC Restrictions otherwise require or provide or the Investors otherwise agree. In furtherance of the foregoing, each Investor shall provide the Company with prompt written notice of its sale of substantially all of the Registrable Securities under such Registration Statement such that the Company will be able to file one or more additional Registration Statements covering the Cut Back Shares.

(d) Other Limitations. Notwithstanding any other provision herein or in the Subscription Agreement, (i) the Filing Deadline and each Effectiveness Deadline for a Registration Statement shall be extended and any Maintenance Failure shall be automatically waived by no action of the Investors, in each case, without default by the Company hereunder in the event that the Company’s failure to make such filing or obtain such effectiveness or a Maintenance Failure results from the failure of an Investor to timely provide the Company with information requested by the Company and necessary to complete a Registration Statement in accordance with the requirements of the 1933 Act (in which case any such deadline would be extended, and a Maintenance Failure waived, with respect to all Registrable Securities until such time as the Investor provides such requested information).

(e) JOBS ACT Submissions. For purposes of this Agreement, if the Company elects to confidentially submit a draft of the Registration Statement with the SEC pursuant to the JOBS Act, the date on which the Company makes such confidential submission will be deemed the initial filing date of such Registration Statement.

3. Demand Registrations.

(a) Request for Registration. Subject to the terms and conditions of this Agreement, in the event that the Company does not file with the SEC one Registration Statement covering the resale of all of the Registrable Securities by December 31, 2021, (i) Brown or (ii) Word may request on a single occasion registration under the 1933 Act of all of their Registrable Securities on Form S-1 or any similar long-form registration (“Long-Form Registrations”), and may request registration under the 1933 Act of all of their Registrable Securities on Form S-3 (including pursuant to Rule 415) or any similar short-form Registration Statement including an automatic shelf registration statement (as defined in Rule 405) (an “Automatic Shelf Registration Statement”), if available to the Company (“Short-Form Registrations”). All registrations requested pursuant to this Section 3(a) are referred to herein as “Demand Registrations”. Each request for a Demand Registration shall specify the approximate number of Registrable Securities requested to be registered and the intended method of distribution. Within five (5) days after receipt of any such request, the Company shall give written notice of the Demand Registration to all other holders of Registrable Securities and, subject to the terms of Section 3(b), shall include in such Demand Registration (and in all related registrations and qualifications under state blue sky laws and in any related underwriting) all Registrable Securities with respect to which the Company has received written requests for inclusion therein within five (5) days after the receipt of the Company’s notice; provided that, with the prior written consent of the holder of Registrable Securities initially requesting such registration (in each case, such consent not to be unreasonably withheld, conditioned or delayed), the Company may provide notice of the Demand Registration to all other holders of Registrable Securities within three (3) Business Days following the non-confidential filing of the Registration Statement with respect to the Demand Registration so long as such Registration Statement is not an Automatic Shelf Registration Statement. Each holder of Registrable Securities agrees that such holder shall treat as confidential the receipt of the notice of Demand Registration and shall not disclose or use the information contained in such notice of Demand Registration without the prior written consent of the Company until such time as the information contained therein is or becomes available to the public generally, other than as a result of disclosure by the holder in breach of the terms of this Agreement.

(b) Priority on Demand Registrations. The Company shall not include in any Demand Registration any securities which are not Registrable Securities. If a Demand Registration is an underwritten offering and the managing underwriters advise the Company in writing that in their opinion the number of Registrable Securities and, if permitted hereunder, other securities requested to be included in such offering exceeds the number of Registrable Securities and other securities, if any, which can be sold therein without adversely affecting the marketability, proposed offering price, timing or method of distribution of the offering, the Company shall include in such offering prior to the inclusion of any securities which are not Registrable Securities, the number of Brown’s Registrable Securities and/or Word’s Registrable Securities requested to be included which, in the opinion of such underwriters, can be sold, without any such adverse effect, *pro rata* among the respective holders thereof on the basis of the amount of Registrable Securities owned by each such holder relative to the total number of Registrable Securities held by Brown and/or Word that is requesting to include Registrable Securities in such Demand Registration as of the date the Company provided written notice of the Demand Registration to the holders of Registrable Securities, without distinguishing between holders based on who initially requested such Demand Registration or otherwise.

(c) Restrictions on Demand Registrations. Any demand for the filing of a Registration Statement or for a registered offering hereunder will be subject to the constraints of any applicable lock-up arrangements, and any such demand must be deferred until such lock-up arrangements no longer apply.

(i) The Company shall not be obligated to effect any Demand Registration within 120 days after the effective date of a previous registration in which Registrable Securities were included pursuant to Sections 2 or 4. The Company may postpone, for up to 90 days from the date of the request (the "Suspension Period"), the filing or the effectiveness of a Registration Statement for a Demand Registration or suspend the use of a Prospectus that is part of any Shelf Registration (and therefore suspend sales of the Registrable Securities included therein) by providing written notice to the holders of Registrable Securities if the Company agrees that the offer or sale of Registrable Securities would reasonably be expected to have a material adverse effect on any proposal or plan by the Company to engage in any material acquisition or disposition of assets or stock (other than in the ordinary course of business) or any material merger, consolidation, tender offer, recapitalization, reorganization or similar transaction or would require the Company to disclose any material nonpublic information which would reasonably be likely to be detrimental to the Company and its Subsidiaries; provided that in such event, the holders of Registrable Securities initially requesting such Demand Registration shall be entitled to withdraw such request, and if such request is withdrawn, the Company shall pay all Registration Expenses in connection with such registration. The Company may, based on a good faith determination, delay or suspend the effectiveness of a Demand Registration pursuant to this Section 3(c)(i) only once in any twelve-month period; provided that, for the avoidance of doubt, the Company may in any event delay or suspend the effectiveness of Demand Registration in the case of an event described under Section 5(a)(ix) to enable it, based on a good faith determination, that such delay is necessary to comply with its obligations set forth in Section 5(a)(ix).

(ii) In the case of an event that causes the Company to suspend the use of any Shelf Registration as set forth in Section 3(c)(i) or pursuant to Section 5(a)(ix) (a "Suspension Event"), the Company shall give a notice to the holders of Registrable Securities registered pursuant to such Shelf Registration (a "Suspension Notice") to suspend sales of the Registrable Securities and such notice shall state generally the basis for the notice and that such suspension shall continue only for so long as the Suspension Event or its effect is continuing. A holder of Registrable Securities shall not effect any sales of the Registrable Securities pursuant to such Shelf Registration (or such filings) at any time after it has received a Suspension Notice from the Company and prior to receipt of an End of Suspension Notice (as defined below). Each holder of Registrable Securities agrees that such holder shall treat as confidential the receipt of the Suspension Notice and shall not disclose or use the information contained in such Suspension Notice without the prior written consent of the Company until such time as the information contained therein is or becomes available to the public generally, other than as a result of disclosure by such holder in breach of the terms of this Agreement. The holders of Registrable Securities may recommence effecting sales of the Registrable Securities pursuant to the Shelf Registration (or such filings) following further written notice to such effect (an "End of Suspension Notice") from the Company, which End of Suspension Notice shall be given by the Company to the holders of Registrable Securities and to such holders' counsel, if any, promptly following the conclusion of any Suspension Event.

(iii) Notwithstanding any provision herein to the contrary, if the Company shall give a Suspension Notice with respect to any Shelf Registration pursuant to this Section 3(c), the Company agrees that it shall extend the period of time during which such Shelf Registration shall be maintained effective pursuant to this Agreement by the number of days during the period from the date of receipt by the holders of the Suspension Notice to and including the date of receipt by the holders of the End of Suspension Notice and provide copies of the supplemented or amended Prospectus necessary to resume sales, with respect to each Suspension Event; provided that such period of time shall not be extended beyond the date that Common Stock covered by such Shelf Registration are no longer Registrable Securities.

(d) Selection of Underwriters. In connection with any Demand Registration, the holders of Registrable Securities initially requesting such registration shall have the right to select the investment banker(s) and manager(s) to administer the offering; provided that, in each case, the investment banker(s) and manager(s) selected must be reasonably satisfactory to the Board. In each case, the holders of Registrable Securities initially requesting such registration shall have the right to approve the underwriting arrangements with such investment banker(s) and manager(s) on behalf of all holders of Registrable Securities participating in such offering; provided that, in each case, the underwriting arrangements must be reasonably satisfactory to the Board. The holders of Registrable Securities requesting such registration shall have the right to negotiate the agreements relating to the underwritten offering; provided that, in each case, the agreements must be reasonably satisfactory to the Board; provided, further, that any holder of Registrable Securities participating in the underwritten offering who did not initiate the offering shall have the right to review and comment on the agreements relating to the underwritten offering.

(e) Revocation of Demand Notice. At any time prior to the effective date of the Registration Statement relating to a Demand Registration, the holders of Registrable Securities that requested such Demand Registration may revoke such request for a Demand Registration on behalf of all holders of Registrable Securities participating in such Demand Registration without liability to such holders of Registrable Securities, in each case by providing written notice to the Company.

4. Piggyback Registrations.

(a) Right to Piggyback. Whenever the Company proposes to register any of its securities under the 1933 Act (other than (i) a registration pursuant to Section 2(a), (ii) pursuant to a Demand Registration, in which case the ability of a holder of Registrable Securities to participate in such Demand Registration is addressed by Section 3(a), (iii) in connection with a registration the primary purpose of which is to register debt securities, or (iv) a registration on any form that does not include substantially the same information as would be required to be included in a Registration Statement covering the sale of Registrable Securities) and the registration form to be used may be used for the registration of Registrable Securities (a "Piggyback Registration"), the Company shall give prompt written notice (in any event within three (3) Business Days after its receipt of notice of any exercise of demand registration rights other than under this Agreement or, at any time after the Company becomes subject to the reporting requirements of the 1934 Act, within three (3) Business Days after the filing of the Registration Statement relating to the Piggyback Registration) to all holders of Registrable Securities of its intention to effect such Piggyback Registration and, subject to the terms of Section 4(c) and Section 4(d), shall include in such Piggyback Registration (and in all related registrations or qualifications under blue sky laws and in any related underwriting) all Registrable Securities with respect to which the Company has received written requests for inclusion therein within 20 days after delivery of the Company's notice; provided that any such other holder may withdraw its request for inclusion at any time prior to executing the underwriting agreement or, if none, prior to the applicable Registration Statement becoming effective.

(b) Piggyback Expenses. The Registration Expenses of the holders of Registrable Securities shall be paid by the Company in all Piggyback Registrations, whether or not any such registration became effective.

(c) Priority on Primary Registrations. If a Piggyback Registration is an underwritten primary registration on behalf of the Company, and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in such offering without adversely affecting the marketability, proposed offering price, timing or method of distribution of the offering, the Company shall include in such registration (i) first, the securities the Company proposes to sell, (ii) second, the number of Brown's Registrable Securities and/or Word's Registrable Securities requested to be included which, in the opinion of such underwriters, can be sold, without any such adverse effect, pro rata among the respective holders thereof on the basis of the amount of Registrable Securities owned by each such holder relative to the total number of Registrable Securities held by all such holders of Registrable Securities requesting to include Registrable Securities in such registration as of the date the Company provided written notice of the Piggyback Registration to the holders of Registrable Securities, and (iii) third, other securities requested to be included in such registration which, in the opinion of the underwriters, can be sold without any such adverse effect.

(d) Priority on Secondary Registrations. If a Piggyback Registration is an underwritten secondary registration on behalf of holders of the Company's securities (it being understood that Demand Registrations and Shelf Registrations by or on behalf of holders of Registrable Securities are addressed in Section 3 rather than in this Section 4(d)), and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in such offering without adversely affecting the marketability, proposed offering price, timing or method of distribution of the offering, the Company shall include in such registration (i) first, the securities requested to be included therein by the holders initially requesting such registration and the number of Brown's Registrable Securities and/or Word's Registrable Securities requested to be included which, in the opinion of such underwriters, can be sold, without any such adverse effect, pro rata among the respective holders thereof on the basis of the amount of securities owned by each such holder relative to the total number of securities held by all such holders initially requesting such registration and holders of Brown's Registrable Securities and Word's Registrable Securities requesting to include Registrable Securities in such registration as of the date the Company provided written notice of the Piggyback Registration to the holders of Registrable Securities, and (ii) second, other securities requested to be included in such registration which, in the opinion of the underwriters, can be sold without any such adverse effect.

5. Company Obligations.

(a) The Company shall use commercially reasonable efforts to effect the registration of the Registrable Securities in accordance with Sections 2, 3 and 4, as applicable and pursuant thereto the Company shall, as expeditiously as possible:

(i) use commercially reasonable efforts to cause such Registration Statement to become effective and to remain continuously effective until such time as there are no longer Registrable Securities held by the Investors (the "Effectiveness Period") and advise the Investors promptly in writing when the Effectiveness Period has expired;

(ii) prepare and file with the SEC such amendments and post-effective amendments to such Registration Statement and the related Prospectus as may be necessary to keep such Registration Statement effective for the Effectiveness Period and to comply with the provisions of the 1933 Act and the 1934 Act with respect to the distribution of all of the Registrable Securities covered thereby;

(iii) permit, upon request, any counsel designated by the Investors to review each Registration Statement and all amendments and supplements thereto prior to their filing with the SEC and shall use commercially reasonable efforts to reflect in such documents any comments as such counsel may reasonably propose;

(iv) furnish to each Investor whose Registrable Securities are included in any Registration Statement (i) promptly after the same is prepared and filed with the SEC, if requested by the Investor, one (1) copy of any Registration Statement and any amendment thereto, each preliminary prospectus and Prospectus and each amendment or supplement thereto, and each letter written by or on behalf of the Company to the SEC or the staff of the SEC, and each item of correspondence from the SEC or the staff of the SEC, in each case relating to such Registration Statement (other than any portion thereof which contains information for which the Company has sought confidential treatment), and (ii) such number of copies of a Prospectus, including a preliminary prospectus, and all amendments and supplements thereto and such other documents as each Investor may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Investor (it being understood and agreed that such documents, or access thereto, may be provided electronically);

(v) use commercially reasonable efforts to (i) prevent the issuance of any stop order or other suspension of effectiveness and, (ii) if such order is issued, obtain the withdrawal of any such order at the earliest possible moment;

(vi) prior to any public offering of Registrable Securities, use commercially reasonable efforts to assist or cooperate with the Investors and their counsel in connection with their registration or qualification of such Registrable Securities for the offer and sale under the securities or blue sky laws of such jurisdictions reasonably requested by the Investors; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (i) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 5(a)(vi), (ii) subject itself to general taxation in any jurisdiction where it would not otherwise be so subject but for this Section 5(a)(vi), or (iii) file a general consent to service of process in any such jurisdiction;

(vii) use commercially reasonable efforts to cause all Registrable Securities covered by a Registration Statement to be listed on the primary securities exchange, interdealer quotation system or other market on which the Common Stock is then listed;

(viii) use commercially reasonable efforts to provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of such Registration Statement;

(ix) notify each seller of such Registrable Securities (A) promptly after it receives notice thereof, of the date and time when such Registration Statement and each post-effective amendment thereto has become effective or a Prospectus or supplement to any Prospectus relating to a Registration Statement has been filed and when any registration or qualification has become effective under a state securities or blue sky law or any exemption thereunder has been obtained, (B) promptly after receipt thereof, of any request by the SEC for the amendment or supplementing of such Registration Statement or Prospectus or for additional information, and (C) at any time when a Prospectus relating thereto is required to be delivered under the 1933 Act, of the happening of any event as a result of which the Prospectus included in such Registration Statement contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, and, subject to Section 3(c), at the request of any such seller, the Company shall use commercially reasonable efforts to prepare a supplement or amendment to such Prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

(x) otherwise use commercially reasonable efforts to comply with all applicable rules and regulations of the SEC under the 1933 Act and the 1934 Act, including, without limitation, Rule 172 under the 1933 Act, file any final Prospectus, including any supplement or amendment thereof, with the SEC pursuant to Rule 424 under the 1933 Act, promptly inform the Investors in writing if, at any time during the Effectiveness Period, the Company does not satisfy the conditions specified in Rule 172 and, as a result thereof, the Investors are required to deliver a Prospectus in connection with any disposition of Registrable Securities and take such other actions as may be reasonably necessary to facilitate the registration of the Registrable Securities hereunder;

(xi) take all reasonable actions to ensure that any “free-writing prospectus”, as defined in Rule 405, utilized in connection with any Demand Registration (including any Shelf Registration) or Piggyback Registration hereunder complies in all material respects with the 1933 Act, is filed in accordance with the 1933 Act to the extent required thereby, is retained in accordance with the 1933 Act to the extent required thereby and, when taken together with the related Prospectus, shall not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(xii) with a view to making available to the Investors the benefits of Rule 144 (or its successor rule) and any other rule or regulation of the SEC that may at any time permit the Investors to sell shares of Common Stock to the public without registration, the Company covenants and agrees to: (i) make and keep public information available, as those terms are understood and defined in Rule 144, until the earlier of (A) six months after such date as all of the Registrable Securities may be sold without restriction by the holders thereof pursuant to Rule 144 or any other rule of similar effect or (B) such date as there are no longer Registrable Securities; (ii) file with the SEC in a timely manner all reports and other documents required of the Company under the 1934 Act; and (iii) furnish electronically to each Investor upon request, as long as such Investor owns any Registrable Securities, (A) a written statement by the Company that it has complied with the reporting requirements of the 1934 Act, (B) a copy of or electronic access to the Company's most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q in which the Company has furnished its annual or quarterly financial statements, and (C) such other information as may be reasonably requested in order to avail such Investor of any rule or regulation of the SEC that permits the selling of any such Registrable Securities without registration;

(xiii) if requested by an Investor, cooperate with such Investor to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be delivered to a transferee pursuant to an effective Registration Statement, which certificates shall be free, to the extent permitted by applicable law, of all restrictive legends, and to enable such certificates to be in such denominations and registered in such names as any such Investor may request.

(xiv) cooperate with the holders of Registrable Securities covered by the Registration Statement and the managing underwriter or agent, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing securities to be sold under the Registration Statement and enable such securities to be in such denominations and registered in such names as the managing underwriter, or agent, if any, or such holders may request;

(xv) cooperate with each holder of Registrable Securities covered by the Registration Statement and each underwriter or agent participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with FINRA;

(xvi) use commercially reasonable efforts to make available the executive officers of the Company to participate with the holders of Registrable Securities and any underwriters in any "road shows" or other selling efforts that may be reasonably requested by the holders in connection with the methods of distribution for the Registrable Securities;

(xvii) use commercially reasonable efforts to obtain one or more comfort letters from the Company's independent public accountants in customary form and covering such matters of the type customarily covered by comfort letters (including "negative assurance" comfort) as an Investor reasonably request;

(xviii) in the case of any underwritten offering, use commercially reasonable efforts to provide a legal opinion of the Company's outside counsel, dated the effective date of such Registration Statement, with respect to the Registration Statement, each amendment and supplement thereto, the Prospectus included therein (including the preliminary prospectus) and such other documents relating thereto in customary form and covering such matters of the type customarily covered by legal opinions of such nature, which opinion shall be addressed to the underwriters and the holders of such Registrable Securities;

(xix) if the Company files an Automatic Shelf Registration Statement covering any Registrable Securities, use commercially reasonable efforts to remain a WKSI (and not become an ineligible issuer (as defined in Rule 405)) during the period during which such Automatic Shelf Registration Statement is required to remain effective; and

(xx) if the Company does not pay the filing fee covering the Registrable Securities at the time an Automatic Shelf Registration Statement is filed, pay such fee at such time or times as the Registrable Securities are to be sold.

(b) The Company shall not undertake any voluntary act that could be reasonably expected to cause a violation or result in delay or suspension under Section (a)(ix). During any Suspension Period, and as may be extended hereunder, the Company shall use commercially reasonable efforts to correct or update any disclosure causing the Company to provide notice of the Suspension Period and to file and cause to become effective or terminate the suspension of use or effectiveness, as the case may be, of the subject Registration Statement.

(c) If Brown and/or Halo seeks to effectuate an in-kind distribution of all or part of their respective Registrable Securities to their respective direct or indirect equityholders, the Company shall, subject to any applicable lock-ups, work with the foregoing persons to facilitate such in-kind distribution in the manner reasonably requested.

6 . Due Diligence Review; Information. If any Investor is required under applicable securities laws to be described in a Registration Statement as an "underwriter," the Company shall, upon reasonable prior notice, make available, during normal business hours, for inspection and review by the Investors, advisors to and representatives of the Investors (who may or may not be affiliated with the Investors and who are reasonably acceptable to the Company) (collectively, the "Inspectors"), all pertinent financial and other records, and all other corporate documents and properties of the Company (collectively, the "Records") as may be reasonably necessary for the purpose of such review, and cause the Company's officers, directors and employees, within a reasonable time period, to supply all such information reasonably requested by the Inspectors (including, without limitation, in response to all questions and other inquiries reasonably made or submitted by any of them), prior to and from time to time after the filing and effectiveness of such Registration Statement for the sole purpose of enabling such Investor and its accountants and attorneys to conduct such due diligence solely for the purpose of establishing a due diligence defense to underwriter liability under the 1933 Act; provided, however, that each Inspector shall agree to hold in strict confidence and shall not make any disclosure (except to such Investor) or use of any Record or other information which the Company determines in good faith to be confidential, and of which determination the Inspectors are so notified, unless (a) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in any Registration Statement or is otherwise required under the 1933 Act, (b) the release of such Records is ordered pursuant to a final, non-appealable subpoena or order from a court or government body of competent jurisdiction, or (c) the information in such Records has been made generally available to the public other than by disclosure in violation of this Section 6, the Subscription Agreement or any confidentiality agreement between the Company and each Investor. Each Investor agrees that it shall, upon learning that disclosure of such Records is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to the Company and allow the Company, at its expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, the Records deemed confidential. Nothing herein (or in any other confidentiality agreement between the Company and any Investor) shall be deemed to limit the Investors' ability to sell Registrable Securities in a manner which is otherwise consistent with applicable laws and regulations.

Notwithstanding the foregoing, the Company shall not disclose material nonpublic information to the Investors, or to advisors to or representatives of the Investors, unless prior to disclosure of such information the Company identifies such information as being material nonpublic information and provides the Investors, such advisors and representatives with the opportunity to accept or refuse to accept such material nonpublic information for review and any Investor wishing to obtain such information enters into an appropriate confidentiality agreement with the Company with respect thereto.

7. Obligations of the Investors.

(a) Each Investor shall execute and deliver a Selling Shareholder Questionnaire substantially in the form attached hereto as Exhibit A prior to the date hereof. Each Investor shall additionally furnish in writing to the Company such other information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it, as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request. At least three (3) Business Days prior to the first anticipated filing date of any Registration Statement, the Company shall notify each Investor of the additional information the Company requires from such Investor if such Investor elects to have any of the Registrable Securities included in such Registration Statement (the "Registration Information Notice"). An Investor shall provide such information to the Company no later than two (2) Business Days following receipt of a Registration Information Notice if such Investor elects to have any of the Registrable Securities included in such Registration Statement. It is agreed and understood that it shall be a condition precedent to the obligations of the Company to complete the registration pursuant to this Agreement with respect to the Registrable Securities of a particular Investor that (i) such Investor furnish to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it as shall be reasonably required to effect the effectiveness of the registration of such Registrable Securities, and (ii) the Investor execute such documents in connection with such registration as the Company may reasonably request, including, without limitation, a waiver of its registration rights hereunder to the extent an Investor elects not to have any of its Registrable Securities included in a Registration Statement.

(b) Each Investor, by its acceptance of the Registrable Securities, agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of a Registration Statement hereunder, unless such Investor has notified the Company in writing of its election to exclude all of its Registrable Securities from such Registration Statement.

(c) Each Investor agrees that, upon receipt of any notice from the Company of either (i) the commencement of an Allowed Delay pursuant to Section 22(b)(2)(b)(ii) or (ii) the happening of an event pursuant to Section 5(a)(ix) hereof, such Investor will immediately discontinue disposition of Registrable Securities pursuant to any Registration Statement covering such Registrable Securities, until the Investor is advised by the Company that such dispositions may again be made.

(d) Each Investor covenants and agrees that it will comply with the Prospectus delivery requirements of the 1933 Act as applicable to it or an exemption therefrom in connection with sales of Registrable Securities pursuant to any Registration Statement.

8. Registration Expenses.

(a) The Company's Obligation. All expenses incident to the Company's performance of or compliance with this Agreement (including, without limitation, all registration, qualification and filing fees, fees and expenses of compliance with securities or blue sky laws, printing expenses, messenger and delivery expenses, fees and disbursements of custodians, and fees and disbursements of counsel for the Company and all independent certified public accountants, underwriters (excluding underwriting discounts and commissions) and other Persons retained by the Company) (all such expenses being herein called "Registration Expenses"), shall be borne by the Company, and, for the avoidance of doubt, the Company shall pay its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit or quarterly review, the expense of any liability insurance and the expenses and fees for listing the securities to be registered on each securities exchange on which similar securities issued by the Company are then listed. Each Person that sells securities pursuant to a Demand Registration or Piggyback Registration hereunder shall bear and pay all underwriting discounts and commissions and transfer taxes applicable to the securities sold for such Person's account.

(b) Counsel Fees and Disbursements. Subject to a cap of \$50,000 in the aggregate (the "Expense Cap"), in connection with each Demand Registration, each Piggyback Registration that is an underwritten offering in which Brown and/or Word participate, the Company shall reimburse each of Brown and/or Word (as applicable) participating in such registration for the reasonable fees and disbursements of one separate counsel and one separate local counsel (if necessary) chosen by Brown and Word (as applicable). In connection with each registration in which neither Brown nor Word participates, the Company shall reimburse the holders of Registrable Securities included in such registration for the reasonable fees and disbursements of one counsel and one local counsel (if necessary) chosen by the holders of a majority of the Registrable Securities included in such registration for the purpose of rendering a legal opinion on behalf of such holders in connection with any underwritten Demand Registration or Piggyback Registration.

(c) Security Holders. To the extent Registration Expenses are not required to be paid by the Company, each holder of securities included in any registration hereunder shall pay those Registration Expenses allocable to the registration of such holder's securities so included, and any Registration Expenses not so allocable shall be borne by all sellers of securities included in such registration in proportion to the aggregate selling price of the securities to be so registered.

9. Indemnification.

(a) Indemnification by the Company. The Company will indemnify and hold harmless each Investor and its officers, directors, members, employees and agents, successors and assigns, and each other person, if any, who controls such Investor within the meaning of the 1933 Act, against any losses, claims, damages or liabilities, joint or several, to which they may become subject under the 1933 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement or omission or alleged omission of any material fact contained in any Registration Statement, any preliminary Prospectus or final Prospectus, or any amendment or supplement thereof; provided, however, that the Company will not be liable in any such case if and to the extent that any such loss, claim, damage or liability arises out of or is based upon (i) an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by such Investor or any such controlling person in writing specifically for use in such Registration Statement or Prospectus, (ii) the use by an Investor of an outdated or defective Prospectus after the Company has notified such Investor in writing that such Prospectus is outdated or defective or (iii) an Investor's failure to send or give a copy of the Prospectus or supplement (as then amended or supplemented), if required (and not exempted) to the Persons asserting an untrue statement or omission or alleged untrue statement or omission at or prior to the written confirmation of the sale of Registrable Securities.

(b) Indemnification by the Investors. Each Investor agrees, severally but not jointly, to indemnify and hold harmless, to the fullest extent permitted by law, the Company, its directors, officers, employees, stockholders and each person who controls the Company (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expense (including reasonable attorney fees) resulting from any untrue statement of a material fact or any omission of a material fact required to be stated in any Registration Statement or Prospectus or preliminary Prospectus or amendment or supplement thereto or necessary to make the statements therein not misleading, to the extent, but only to the extent, that such untrue statement or omission is contained in any information regarding such Investor and furnished in writing by such Investor to the Company specifically for inclusion in such Registration Statement or Prospectus or amendment or supplement thereto. In no event shall the liability of an Investor be greater than the dollar amount of the proceeds received by such Investor upon the sale of the Registrable Securities included in such Registration Statement giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. Any person entitled to indemnification hereunder shall (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided, that any person entitled to indemnification hereunder shall have the right to employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such person unless (A) the indemnifying party has agreed to pay such fees or expenses, (B) the indemnifying party shall have failed to assume the defense of such claim and employ counsel reasonably satisfactory to such person or (C) in the reasonable judgment of any such person, based upon written advice of its counsel, a conflict of interest exists between such person and the indemnifying party with respect to such claims (in which case, if the person notifies the indemnifying party in writing that such person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such person); and provided, further that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations hereunder, except to the extent that such failure to give notice shall materially adversely affect the indemnifying party in the defense of any such claim or litigation. It is understood that the indemnifying party shall not, in connection with any proceeding in the same jurisdiction, be liable for fees or expenses of more than one separate firm of attorneys at any time for all such indemnified parties. No indemnifying party will, except with the consent of the indemnified party, which shall not be unreasonably withheld or conditioned, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation.

(d) Contribution. If for any reason the indemnification provided for in the preceding paragraphs (a) and (b) is unavailable to an indemnified party or insufficient to hold it harmless, other than as expressly specified therein, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnified party and the indemnifying party, as well as any other relevant equitable considerations. No person guilty of fraudulent misrepresentation within the meaning of Section 11(f) of the 1933 Act shall be entitled to contribution from any person not guilty of such fraudulent misrepresentation. In no event shall the contribution obligation of a holder of Registrable Securities be greater in amount than the dollar amount of the proceeds received by it upon the sale of the Registrable Securities giving rise to such contribution obligation.

(e) Release. No indemnifying party shall, except with the consent of the indemnified party, consent to the entry of any judgment or enter into any settlement that does not include as an unconditional term thereof a release of such indemnified party by the claimant or plaintiff from all liability in respect to such claim or litigation.

(f) Non-exclusive Remedy; Survival. The indemnification and contribution provided for under this Agreement shall be in addition to any other rights to indemnification or contribution that any indemnified party may have pursuant to law or contract and shall remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party and shall survive the transfer of Registrable Securities and the termination or expiration of this Agreement.

10. Miscellaneous.

(a) Amendments and Waivers. This Agreement may be amended only by a writing signed by the Company and the Required Investors. The Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company shall have obtained the written consent to such amendment, action or omission to act, of the Required Investors. Notwithstanding the foregoing, this Agreement may not be amended and the observance of any term hereof may not be waived with respect to any Investor without the written consent of such Investor, unless such amendment or waiver applies to all Investors in the same fashion.

(b) Notices. All notices and other communications provided for or permitted hereunder shall be made as set forth in Section 8(c) of the Subscription Agreement.

(c) Assignments and Transfers by Investors. The provisions of this Agreement shall be binding upon and inure to the benefit of the Investors and their respective successors and assigns. An Investor may transfer or assign, in whole or from time to time in part, to one or more persons its rights hereunder in connection with the transfer of Registrable Securities by such Investor to such person, provided that (i) the Investor agrees in writing with the transferee or assignee to assign such rights and a copy of such agreement is furnished to the Company within a reasonable time after such assignment; (ii) the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of (A) the name and address of such transferee or assignee and (B) the securities with respect to which such registration rights are being transferred or assigned; (iii) immediately following such transfer or assignment the further disposition of such securities by the transferee or assignee is restricted under the 1933 Act or applicable state securities laws; (iv) at or before the time the Company receives the written notice contemplated by clause (ii) of this sentence the transferee or assignee agrees in writing with the Company to be bound by all of the provisions contained herein and (v) such transfer shall have been made in accordance with the applicable requirements of the Subscription Agreement.

(d) Assignments and Transfers by the Company. This Agreement may not be assigned by the Company (whether by operation of law or otherwise) without the prior written consent of the Required Investors, provided, however, that in the event that the Company is a party to a merger, consolidation, share exchange or similar business combination transaction in which the shares of Common Stock are converted into the equity securities of another Person, from and after the effective time of such transaction, such Person shall, by virtue of such transaction, be deemed to have assumed the obligations of the Company hereunder, the term "Company" shall be deemed to refer to such Person and the term "Registrable Securities" shall be deemed to include the securities received by the Investors in connection with such transaction unless such securities are otherwise freely tradable by the Investors after giving effect to such transaction.

(e) Benefits of the Agreement. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective permitted successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

(f) Counterparts; Faxes. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may also be executed via facsimile or e-mail, which shall be deemed an original.

(g) Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(h) Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof but shall be interpreted as if it were written so as to be enforceable to the maximum extent permitted by applicable law, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereby waive any provision of law which renders any provisions hereof prohibited or unenforceable in any respect.

(i) Further Assurances. The parties shall execute and deliver all such further instruments and documents and take all such other actions as may reasonably be required to carry out the transactions contemplated hereby and to evidence the fulfillment of the agreements herein contained.

(j) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

(k) Governing Law; Consent to Jurisdiction; Waiver of Jury Trial. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to the choice of law principles thereof (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York. In furtherance of the foregoing, the internal law of the State of New York shall control the interpretation and construction of this Agreement (and all schedules and exhibits hereto), even though under that jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts of the State of New York located in New York County and the United States District Court for the Southern District of New York for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. Each party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. EACH OF THE PARTIES HERETO WAIVES ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS AGREEMENT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER.

(l) Filing Restrictions. The Company will register the resale of Registrable Securities representing Cut Back Shares on an effective Registration Statement prior to or concurrent with registering the resale of its securities by a selling security holder not holding Registrable Securities; provided, however, that this Section 10(l) shall not apply to Registrable Securities representing Cut Back Shares that were excluded from any such Registration Statement on account of the failure of a holder of such Registrable Securities to comply with the provisions hereof, including, but not limited to, the requirement of a holder to provide information required to be included in a Registration Statement.

(m) No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Agreement or caused their duly authorized officers to execute this Agreement as of the date first above written.

COMPANY:

BETTER CHOICE COMPANY INC.

By: _____

Name: Werner von Pein

Title: Chief Executive Officer

[Signature Page to Registration Rights Agreement]

IN WITNESS WHEREOF, the parties have executed this Agreement or caused their duly authorized officers to execute this Agreement as of the date first above written.

The Edward J. Brown, Jr. Trust

By: _____

Name: Edward J. Brown, Jr.

Title: Trustee

JOHN M. WORD, III

[Signature Page to Registration Rights Agreement]

EXHIBIT A

Selling Shareholder Questionnaire

1. **Name:**

(a) Full legal name of the Shareholder:

(b) Address for Notices to the Shareholder:

Email: _____

Telephone, including area code: _____

Fax, including area code: _____

Contact Person: _____

(b) Full legal name of the registered holder (if not the same as Item 1(a) above) through which the Shares listed in Item 2 below are held:

(c) Full legal name of any natural control person (which means a natural person who directly or indirectly alone or with others has power to vote or dispose of the Shares listed in Item 2 below):

2. **Beneficial Ownership of Shares:**

(a) Type and number of Shares beneficially owned:

(b) Number of Shares to be registered for resale pursuant to this Questionnaire:

3. **Broker-Dealer Status:**

(a) Are you a broker-dealer?
Yes No

(b) If you answered "yes" to Item 3(a) above, did you receive your Shares as compensation for investment banking services provided to the Company?
Yes No

Note: If you answered "no," the SEC's staff has indicated that you should be identified as an underwriter in the Resale Registration Statement.

(c) Are you an affiliate of a broker-dealer?
Yes No

If you answered "yes," provide a narrative explanation below:

(d) If you are an affiliate of a broker-dealer, do you certify that you bought the Shares in the ordinary course of business, and at the time of the purchase of the Shares to be resold, you had no agreements or understandings, directly or indirectly, with any person to distribute the Shares?

Yes No

Note: If you answered "no," the SEC's staff has indicated that you should be identified as an underwriter in the Resale Registration Statement.

4. **Beneficial Ownership of Other Securities of the Company Owned by the Shareholder:**

Except as set forth below in this Item 4, the undersigned is not the beneficial or registered owner of any securities of the Company, other than the Shares listed above in Item 2.

Type and amount of other securities beneficially owned:

5. **Relationships with the Company:**

(a) Have you or any of your affiliates, officers, directors or principal equity holders (owners of 5% or more of the equity securities of the undersigned) held any position or office or have you had any other material relationship with the Company (or its predecessors or affiliates) within the past three years?
Yes No

(b) If your response to Item 5(a) above is "yes," please state the nature and duration of your relationship with the Company:

The undersigned agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof and prior to the effective date of any applicable Resale Registration Statement. All notices hereunder shall be delivered as set forth in the applicable Registration Rights Agreement to which the undersigned is a party. In the absence of any such notification, the Company shall be entitled to continue to rely on the accuracy of the information in this Questionnaire.

By signing below, the undersigned consents to the disclosure of the information contained herein in its answers to Items 1 through 5 above and the inclusion of such information in the Resale Registration Statement and the Prospectus. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of any such Resale Registration Statement and Prospectus.

By signing below, the undersigned acknowledges that it understands its obligation to comply, and agrees that it will comply, with the provisions of the Exchange Act of 1934, as amended, and the rules and regulations thereunder, particularly Regulation M in connection with any offering of Shares pursuant to the Resale Registration Statement. The undersigned also acknowledges that it understands that the answers to this Questionnaire are furnished for use in connection with registration statements filed pursuant to the applicable Registration Rights Agreement and any amendments or supplements thereto filed with the SEC pursuant to the Securities Act.

The undersigned confirms that, to the best of his/her knowledge and belief, the foregoing answers to this Questionnaire are correct.

IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Dated: _____

Beneficial Owner:

Name of Entity

By: _____

Name: _____

Title: _____

PLEASE RETURN THE COMPLETED AND EXECUTED QUESTIONNAIRE:

(1) by email to:

Meister Seelig & Fein LLP
125 Park Avenue, 7th Floor
New York, NY 10017
Attention: Louis Lombardo
Telephone: (212) 655-3518
Email: ll@msf-law.com

and (2) return the original, executed notice and questionnaire to the same at the address above

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) /
RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Werner von Pein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Better Choice Company Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 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: June 25, 2020

/s/ Werner von Pein

Werner von Pein
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) /
RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Sharla Cook, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Better Choice Company Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 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.

Dated: June 25, 2020

/s/ SHARLA COOK

Sharla Cook
Principal Financial and Accounting Officer

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

In connection with the Quarterly Report of Better Choice Company Inc. (the "Company") on Form 10-Q for the period ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officers hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (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.

Dated: June 25, 2020

/s/ Werner von Pein

Werner von Pein
Chief Executive Officer
(Principal Executive Officer)

/s/ SHARLA COOK

Sharla Cook
Principal Financial and Accounting Officer
