

BRITISH COLUMBIA VEGETABLE MARKETING COMMISSION

**IN THE MATTER OF THE *NATURAL PRODUCTS MARKETING (BC) ACT* AND
AN EXTRAORDINARY APPLICATION TO TRANSFER AN AGENCY LICENCE**

September 8, 2025

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Background

1. By letter dated June 20, 2025, VF Operations Canada, Inc. (“Village Farms”) applied to the Commission to “transfer” its agency licence to Vanguard Produce Canada ULC, now called Village Fresh Canada ULC (“Village Fresh”).
2. Pursuant to section 7(1) of the General Order, **licences are not transferable**. Consequently, the Commission will not permit the transfer of a licence unless there are extraordinary circumstances justifying a departure from the clear prohibition expressed in the General Order.
3. The circumstances which gave rise to this request are described in a press release dated May 12, 2025, as follows:

Village Farms International Announces Transformative Transaction to Privatize its Fresh Produce Business

May 12, 2025 9:05 PM EDT

- Company to privatize certain assets of its Fresh Produce segment; enter supply agreements for retained assets –
- Village Farms and private investment firms create privately held joint venture through transaction –
- Village Farms’ Fresh segment to become cornerstone of NewCo’s commercial operations and growth strategy –
- Village Farms expected to receive \$40 million in cash proceeds; 37.9% equity ownership interest in NewCo –
- VFF retains ownership of all Canadian cultivation assets; Marfa I and Monahans for future cannabis optionality –

VANCOUVER, British Columbia, May 12, 2025 (GLOBE NEWSWIRE) -- Village Farms International, Inc. (“Village Farms” or the “Company”) (NASDAQ: VFF) today announced that it has entered into a definitive agreement with a newly-formed holding company (“Vanguard Food LP” or “Vanguard”) backed by private investment firms including Sweat Equities, to privatize certain assets and operations of its Fresh Produce segment. The transaction will create a new, privately held joint venture with Village Farms as a minority owner, simultaneously enabling the Company to focus on its growing international business and

repositioning its fresh produce business to flourish independently with new strategic capital partners.

Village Farms' Fresh Produce division will serve as the cornerstone of Vanguard's commercial operations and growth strategy, transforming the business with supportive capital partners committed to executing a roll-up strategy of other leading North American produce brands and assets. Leveraging decades of Village Farms Fresh leadership in the cultivation, sales, marketing and distribution of produce to grocery stores and retailers, Vanguard will seek to expand its product categories and offerings for customers through M&A to create a premier branded CPG foods company supporting healthy lifestyles and sustainable farming practices.

The parties have agreed to appoint Charlie Sweat, Founder of Sweat Equities, as Chairman of Vanguard's Board of Managers. Mr. Sweat is the former Chief Executive Officer of Earthbound Farm, a leading organic foods company that transformed the organic salad category and grew from \$10 million to over \$540 million in annual sales during his 15-year tenure. Michael A. DeGiglio, Founder, President, and Chief Executive Officer of Village Farms, has also been appointed to Vanguard's Board of Managers and will serve as Interim Chief Executive Officer of Vanguard until a permanent replacement has been identified. Steve Ruffini, Chief Financial Officer of Village Farms, will also serve on Vanguard's Board of Managers.

Transaction Terms and Timeline

Under the terms of the agreement, Village Farms will privatize its Texas-based, 40-acre Marfa II and 40-acre Fort Davis greenhouse assets, all of its produce-related intellectual property, with the exception of the Village Farms name, and transfer all of its produce distribution facilities, employees and operational control of these facilities to Vanguard. The transaction will be completed by way of a series of asset and lease transfers to Vanguard, and is expected to close during the second quarter of 2025, following the satisfaction of closing conditions.

Consideration paid to Village Farms in the transaction will include 37.9 percent of the initial common equity units of Vanguard, and \$40 million in cash. Village Farms will have no future cash obligations to Vanguard, and pre-emptive rights to maintain its ownership interest. Vanguard will remain a private company with access to additional capital to execute a M&A roll-up strategy.

Management Commentary

Michael A. DeGiglio, Chief Executive Officer of Village Farms, commented, “I am pleased to announce this transformative transaction for Village Farms, and very proud to work with Charlie Sweat and the team at Sweat Equities to drastically improve long-term upside potential for our produce business. Charlie is a proven industry pioneer with an incredible track record building enterprises across the health and wellness food categories and creating value for shareholders. We believe this transaction will unlock tremendous long-term value for both our businesses, and are excited to gain committed new capital partners in produce and to focus more of our resources toward advancing our leadership position in global cannabis.”

Charlie Sweat, Founder of Sweat Equities, commented, “I have admired the achievements of Michael and the Village Farms team in our industry for decades, and am thrilled to form this partnership which will leverage Village’s commercial expertise to create a new leader in the fresh produce industry in North America. Securing a proven operating team like Village Farms was a critical first step for Vanguard, and we believe the industry and macro-economic environments are ripe to begin executing a strategy to drive accretive growth through M&A. The timing of this joint venture aligns perfectly with shifting consumer behaviors, and we’re positioned well to meet increased demand for healthier alternatives to processed foods.”

Michael A. DeGiglio concluded, “Village Farms is all in on the future of cannabis globally, and we’re excited to begin this next chapter. This transaction monetizes one-third of our greenhouse assets, positions our produce business to thrive as an independent private entity, and provides significant expansion potential for us to continue building our leadership position and reputation as one of the largest and most respected scaled cultivators and marketers of cannabis on the planet.”

Additional Information

Upon completion of the transaction, Village Farms will continue to own its 30-acre Monahans greenhouse facility in Texas, and will own and lease its 20-acre Marfa I greenhouse facility in Texas to Vanguard. The Marfa I facility is currently expandable to 40-acres and is adjacent to 950 acres of unoccupied land owned by Village Farms available for future expansion, retaining significant long-term optionality for potential future cannabis expansion in the United States.

In Canada, Village Farms will continue to own and operate its 60-acre Delta 1 greenhouse, 25-acre Delta 2 greenhouse, and 25-acre Delta 3 greenhouse, each of which are located in Delta, British Columbia. Village Farms will enter into service and supply agreements with Vanguard for fresh produce production in Delta, which will continue supplying produce for Vanguard for a multi-year term. The Delta 1 greenhouse generated approximately \$25 million in fresh produce sales in fiscal year 2024.

Approvals and Advisors

The proposed transaction has been unanimously approved by the Board of Village Farms International. FTI Capital Advisors, LLC acted as financial advisor to Village Farms in connection with the proposed transaction. Torys LLP acted as legal counsel to Village Farms. Houlihan Lokey acted as financial advisor, and Akin Gump Strauss Hauer & Feld LLP acted as legal counsel to private investment firms including Sweat Equities.

This news release does not constitute an offer to sell or the solicitation of an offer to buy any securities.

About Sweat Equities

Sweat Equities is a private investment firm focused on investments in the health and wellness area with an emphasis on consumer goods in the food and beverage space. Sweat Equities is led by founder and managing principal, Charlie Sweat, and is made up of seven funds – a primary SE Fund LP with seven portfolio companies and six SPVs (Special Purpose Vehicles) totaling approximately \$100 million of invested capital. The Sweat Equities model focuses on partnering with companies that can benefit beyond capital, leveraging the added value of the Sweat Equity team and its group of Advisors specializing in executive leadership, supply chain, operations/manufacturing, finance, sales and marketing, communications, and events.

With the Village Farms partnership, Sweat Equities kicks off its Fund II capital raise, targeted at \$300 million, focused on larger, mid-market companies versus the more emerging company markets in the first Funds.

This initial Fund II investment carving out Village Farms fresh produce into a private entity, Vanguard Foods LLC, represents the first step in a fast and large M&A strategy to build a fresh foods platform bringing healthy, fresh foods to the market at scale. Sweat Equities will be

reviewing various products and companies across many production methods when expanding the Vanguard platform.

About Village Farms International

Village Farms leverages decades of experience in Controlled Environment Agriculture as a large-scale, vertically-integrated supplier of high-value, high-growth plant-based Consumer Packaged Goods. The Company has a strong foundation as the leading and longest-tenured fresh produce supplier to grocery and large-format retailers throughout the US and Canada, but is now focused predominantly on leveraging its decades of agricultural expertise to focus on high-growth cannabinoid opportunities internationally.

In Canada, the Company's wholly owned Canadian subsidiary, Pure Sunfarms, is one of the single largest cannabis operations in the world (2.2 million square feet of greenhouse production), the lowest-cost producer and one of Canada's best-selling brands. The Company has an incremental 2.6 million square feet of greenhouse capacity available in Canada for future expansion, and also owns 80% of Québec-based, Rose LifeScience, a leading third-party cannabis products commercialization expert in the Province of Québec.

Internationally, Village Farms is targeting selected, nascent, legal cannabis opportunities with significant medium- and long-term potential. The Company exports medical cannabis from its EU GMP certified facility in Canada to a growing list of international markets including Germany, the United Kingdom, Israel, Australia, and New Zealand. The Company is expanding its international presence with additional export contracts to new countries and customers across the globe, and is now making selective strategic investments in international assets. In Europe, wholly-owned Leli Holland has one of 10 licenses growing and distributing recreational cannabis products within the Dutch Coffee Shop Experiment.

In the US, wholly-owned Balanced Health Botanicals is one of the leading CBD and hemp-derived brands and e-commerce platforms in the country. Subject to compliance with all applicable US federal and state laws and stock exchange rules, Village Farms plans to enter the US THC market via multiple strategies, leveraging its Texas-based greenhouse assets (5.5 million square feet of existing greenhouse capacity in West Texas), as well as the operational and product expertise gained through Pure Sunfarms' success in Canada.

Village Farms Clean Energy (VFCE), through a partnership with Atlanta-based Terreva Renewables, creates renewable natural gas from landfill gas at its Delta RNG facility. VFCE receives royalties on all revenue generated. This partnership reduces Vancouver's greenhouse gas emissions by 475,000 metric tons of CO2 per year, equivalent to removing more than 100,000 vehicles off the road or the energy use equivalent of powering 51,300 homes for one year.

4. In its written request to transfer its licence, Michael Minerva, Senior Vice President - Grower Relations, said this:

This transaction benefits our team and the industry in many ways. First, it provides growth capital and new resources for us to upgrade our facilities and improve quality and innovation for customers. Over time, we intend to expand our product offerings, which will also benefit the producers we market for as we'll offer a wider variety basket for customers to fill their shelves. It also eliminates costs associated with being a public company, which frees up more resources for us to improve experience for partners. Finally, while our leadership team remains fully intact, we're bolstering our bench strength with the addition of Executive Chairman Charlie Sweat. Charlie revolutionized the organic salad category during his tenure at Earthbound Farm, and we look forward to his contributions as we execute our next phase of growth.

Our team is very excited about this transformation and we see significant growth opportunities for ourselves and our partners. However, I want to make clear that we are not changing any of our marketing plans. There will be no disruption to the orderly marketing we currently enjoy in British Columbia, and no changes to any of our Sales, Marketing & Distribution functions or personnel. The same team members who have been performing the sales, marketing & distribution functions since 2006 will continue performing those same functions and selling the same products they always have, we just plan to augment services and offerings for customers as we get stronger in the future.

5. Mr. Minerva appeared before a panel of the Commission to answer questions about the request, and the restructuring that gave rise to it, on August 19, 2025.

Analysis

6. The restructuring described in the press release is complex, and it involves a number of American and Canadian corporations and limited liability partnerships.

Nevertheless, with respect to the agency licence held by Village Farms, the essence of the restructuring is that the vegetable side of the business (as opposed to cannabis production) is to be privatized. Marketing of BC vegetables will then be carried out by Village Fresh in place of Village Farms. Having said that, the transaction does more than merely result in Village Fresh taking the place of Village Farms. Village Fresh will have new stakeholders, including Sweat Equities SPY LLC and Kennedy Lewis Capital Partners Master Fund II LP.

7. There is no question that this matter should have been brought to the Commission as an application by Village Fresh for an agency licence in accordance with section 8 of the General Order. It may also be noted that even if the reorganization would not have resulted in a new corporate entity being the proposed marketer of vegetables in B.C., Village Farms would still have been required to seek out and obtain the Commission's prior approval before engaging in a restructuring involving a change to the direct or indirect legal or equitable interests in Village Farms. This follows from section 7(2) of the General Order:

Any sale of all or a portion of an Agency by way of sale of assets or shares, or a change in the Agency's business plan, must receive prior approval from the Commission

8. Here there was no application for designation as an agency by Village Fresh, nor was there any application by Village Farms to seek out and obtain the Commission's prior approval before engaging in a restructuring involving a change to the direct or indirect legal or equitable interests in Village Farms. It goes without saying that neither entity conducted themselves in the manner required by the General Order.
9. Mr. Minerva was questioned on this point, and he advised that even he was not aware of the corporate restructuring until shortly before the issuance of the press release.
10. In any event, the situation now before the Commission is less than ideal. Indeed, the failure of Village Fresh to apply for an agency designation before completing this corporate restructuring has itself created an "extraordinary circumstance", albeit one that would not by itself justify a departure from the Commission's clear prohibition against the transferability of licences¹. By all accounts, it appears that Village Fresh is already operating as the *de facto* agency in place of Village Farms. Consequently, it is incumbent in the Commission to move swiftly in order to maintain orderly marketing.

¹ Not all "extraordinary circumstances" justify relief. Some reinforce the prohibition, while others may justify an exception.

11. The failure of Village Farms and Village Fresh to make appropriate applications has left the Commission with few good options. There was no evidence put before the Commission to suggest that Village Farms has any remaining capacity to operate as an agency following the closing of the transaction described in the press release. Redirecting the production that was marketed to Village Farms to other, existing agencies would be extraordinarily disruptive and would very likely operate to the detriment of BC producers.
12. On the other hand, permitting Village Farms to “transfer” its agency licence to Village Fresh would constitute a total departure from the clear prohibition against transferability in the General Order. In addition, a “transfer” of an agency licence from Village Farms to Village Fresh would be tantamount to permitting Village Fresh to circumvent the scrutiny that would otherwise be applied in the context of a proper agency application. Among other things, circumventing the agency application process in that manner would deprive existing industry stakeholders of the opportunity to be heard in relation to the designation of Village Fresh as an agency.
13. The failure of both Village Farms and Village Fresh to comport themselves in the manner required by the General Order is an “extraordinary circumstance”, albeit one that militates against the relief sought (i.e., an exemption from the prohibition against licence transferability). On the other hand, the Commission recognizes that something must be done to maintain orderly marketing.
14. In the circumstances, the Commission is satisfied that there are at least some factors that warrant consideration of an interim, conditional order to maintain orderly marketing. These include the following: (a) Mr. Minerva’s lack of any significant, advance knowledge of the restructuring; (b) the fact that the reorganization is largely (though not entirely) internal in nature; (c) the possibility that the reorganization will have a positive impact within the Province, insofar as Village Fresh will have greater resources available to it to market B.C. production, without the distraction of the cannabis business; and (d) the practical necessity to move swiftly in order to maintain orderly marketing.
15. Having said that, the Commission is unwilling to permit a “transfer” of the agency licence from Village Farms to Village Fresh. Transfers are prohibited under the General Order. In addition, section 8 of the *Natural Products Marketing (BC) Act Regulations*, (B.C. Reg. 328/75), provides that “no designation of any agency... shall be effective unless approved in writing by the [BCFIRB].” This too militates against the possibility of an “transfer.”
16. Finally, it is the Commission’s view that Village Fresh should not be permitted to depart from the usual substantive obligations that would arise had it properly advanced its own application for agency designation. In particular, Village Fresh’s

failure to make a proper application for agency designation has deprived the Commission of a fulsome opportunity to consider: (a) any implications that might arise from the presence of new equity interests including Sweat Equities SPY LLC and Kennedy Lewis Capital Partners Master Fund II LP; and (b) the implications of any change in the business and marketing plan. In addition, Village Fresh's failure to make a proper application should not deprive other industry stakeholders of the opportunity to be heard in relation to its designation as an agency.

Disposition

17. Having regard to the circumstances, the Commission is prepared to conditionally designate Village Fresh as an agency, subject to the written approval of the BCFIRB, as required by section 8 of the *Natural Products Marketing (BC) Act Regulations*, (B.C. Reg. 328/75), in the interest of maintaining orderly marketing. The "conditional" nature of the Commission's designation is intended to achieve three main objectives. First, the interests of producers currently shipping to Village Farms must be protected. Second, the extraordinary nature of the Commission's decision to designate Village Fresh as an agency should not place Village Fresh in a better position than it would have been in had it made a proper agency application. Third, the ability of the Commission to scrutinize Village Fresh with the benefit of input from industry stakeholders (albeit after the fact) should not be impaired. Thus, the agency designation is subject to the following express conditions:
 - (a) Upon receiving the written approval of the BCFIRB:
 - (i) Village Fresh must continue to honour all Grower Marketing Agreements entered into by Village Farms with B.C. producers;
 - (ii) Village Fresh must continue to market B.C. production consistent with the business and marketing plan of Village Farms as approved by the Commission, until such time as the Commission has approved any new business and marketing plan submitted by Village Fresh;
 - (iii) The agency licence issued to Village Farms shall terminate without further order; and
 - (iv) Village Fresh will be made the subject of an immediate agency review in accordance with section 10 of the General Order. Existing industry stakeholders will be provided with an opportunity to be heard on the matter of whether its agency status should be maintained.

- (b) Until such time as Village Fresh has obtained the written approval of the BCFIRB, all marketing must continue to be conducted by Village Farms. If the corporate reorganization, as already concluded, does not permit Village Farms to engage in marketing (whether due to an absence of employees, resources or otherwise) Village Farms and Village Fresh are to notify the Commission immediately (and in no event later than 30 days from the date of this decision), in which event the Commission will consider redirecting producers to another agency pending the written approval of the BCFIRB, or taking such other action as may be warranted in the circumstances.
18. Because the Commission has been deprived of an opportunity to consider any implications that might arise from the presence of new equity interests including Sweat Equities SPY LLC and Kennedy Lewis Capital Partners Master Fund II LP, Village Fresh will need to address these matters (among others) in the context of the agency review that will immediately follow any approval that may be granted by the BCFIRB. In addition, Village Fresh is reminded that agency licences are held at the pleasure of the Commission. Agencies do not have any substantive, proprietary interest in an agency licence that may be asserted against the Commission. In future, should it appear to the Commission that designation of Village Fresh as an agency does not promote the Commission's policy objectives, the Commission will not hesitate to rescind Village Fresh's agency licence.
19. Finally, it must be observed that the decision to conditionally designate Village Fresh as an agency without first engaging in the usual agency application process is a profound departure from the General Order. This departure was required only because the failure of Village Farms and Village Fresh to conduct themselves in the manner required by the General Order required an extraordinary response from the Commission to maintain orderly marketing. However, the failure of Village Fresh to make a proper application should not put it in a better position than it would have been in had it made such an application. Applications for agency status must be accompanied by a \$20,000.00 fee to defray the Commission's expenses. The immediate agency review that is to occur upon approval by the BCFIRB will operate in lieu of the review process that would have applied in the context of a proper agency application. Pursuant to the power vested in the Commission pursuant to section 4 of the *British Columbia Vegetable Scheme*, (B.C. Reg. 96/80) and paragraph 11(1)(o)(ii) of the *Natural Products Marketing (BC) Act*, R.S.B.C. 1996, c. 330, the Commission hereby imposes a charge² against Village Farms and Village Fresh, jointly and severally, in the amount of \$20,000.00 to defray the expenses that will be

² In a letter dated May 31, 2024 from the Chair of the BCFIRB to the Commission and others, the Chair confirmed "the authority of the Commission to recover expenses, including legal fees associated with supervisory reviews, by way of a charge or levy imposed generally or against designated persons."

incurred by the Commission in connection with the agency review. This charge must be paid not later than 30 days from the date of this decision.

SAFETI

20. It is the Commission's considered view that its decision reflects a principles-based approach to supervision and regulation. This principled approach has been defined by the BCFIRB as six principles collectively referred to as the "SAFETI" principles:
- (a) Strategic: The decision reflects the Commission's identification of key issues as well as systemic challenges.
 - (b) Accountable: The Commission has maintained legitimacy and integrity by imposing detailed conditions having regard to the significant departure from the Commission's clear prohibition against licence transfers.
 - (c) Fair: The Commission has ensured procedural fairness by providing Village Farms and Village Fresh with an opportunity to be heard through its representative, Mr. Minerva. In addition, other industry stakeholders will be provided with an opportunity to be heard in the context of the immediate agency review that will follow should the BCFIRB grant is approval to the agency designation.
 - (d) Effective: The Commission's decision will maintain orderly marketing.
 - (e) Transparent: The Commission has provided a fulsome explanation of its reasoning.
 - (f) Inclusive: The Commission has taken all appropriate steps to ensure that appropriate interests are considered.
21. Any person aggrieved or dissatisfied with this decision may appeal the decisions to the BCFIRB within 30 days from the date hereof.



Wes Shoemaker, Chair