

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

**Amendment No. 1  
to  
FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**Vital Farms, Inc.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**2000**  
(Primary Standard Industrial  
Classification Code Number)

**27-0496985**  
(I.R.S. Employer  
Identification Number)

**3601 South Congress Avenue  
Suite C100  
Austin, Texas 78704  
(877) 455-3063**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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Vital Farms, Inc.  
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Approximate date of commencement of proposed sale to the public: **As soon as practicable after this registration statement is declared effective.**

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

**CALCULATION OF REGISTRATION FEE**

Title of each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common stock, par value \$0.0001 per share	8,984,375	\$17.00	\$152,734,375	\$19,825(3)

(1) Includes 1,171,875 additional shares that the Underwriters have the option to purchase.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(a) of the Securities Act of 1933, as amended.

(3) The registrant previously paid a registration fee of \$12,980 in connection with the initial filing of this Registration Statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant will file a further amendment which specifically states that this Registration Statement will thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement will become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

**The information in this preliminary prospectus is not complete and may be changed. We and the selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

*Subject to Completion, Dated July 24, 2020*

**7,812,500 Shares**



**Common Stock**

This is an initial public offering of shares of common stock of Vital Farms, Inc. We are offering 5,040,323 shares of common stock and the selling stockholders identified in this prospectus are offering an additional 2,772,177 shares of common stock. We will not receive any proceeds from the sale of shares by the selling stockholders.

Prior to this offering, there has been no public market for our common stock. It is currently estimated that the initial public offering price for our common stock will be between \$15.00 and \$17.00 per share. We have applied to list our common stock on The Nasdaq Stock Market under the symbol "VITL."

We are an "emerging growth company" as defined under the federal securities laws and, as such, we have elected to comply with certain reduced reporting requirements for this prospectus and may elect to do so in future filings.

We elected in October 2017 to be treated as a public benefit corporation under Delaware law. As a public benefit corporation we are required to balance the financial interests of our stockholders with the best interests of those stakeholders materially affected by our conduct, including particularly those affected by the specific benefit purposes set forth in our certificate of incorporation. Accordingly, our duty to balance a variety of interests may result in actions that do not maximize stockholder value.

Investing in our common stock involves risks. See "[Risk Factors](#)" beginning on page 21 to read about factors you should consider before buying our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	<u>Per Share</u>	<u>Total</u>
Initial public offering price	\$	\$
Underwriting discounts and commissions <sup>(1)</sup>	\$	\$
Proceeds, before expenses, to Vital Farms, Inc.	\$	\$
Proceeds, before expenses, to the selling stockholders	\$	\$

(1) See the section titled "Underwriting" for additional information regarding compensation payable to the underwriters.

The selling stockholders have granted the underwriters an option for a period of 30 days to purchase up to an additional 1,171,875 shares of common stock at the initial public offering price less the underwriting discounts and commissions.

*The underwriters expect to deliver the shares of common stock to purchasers on \_\_\_\_\_, 2020.*

**Goldman Sachs & Co. LLC**

**Morgan Stanley**

**Credit Suisse**

**Jefferies**

**BMO Capital Markets**

**Stifel**

Prospectus dated \_\_\_\_\_, 2020.





*We are on a mission to bring ethically produced food to the table.*







*We are working to improve the  
lives of people, animals and  
planet through food.*

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## Vital Farms *at a glance*

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**33%** CAGR  
2015-2019 NET REVENUE

**2.5m** HOUSEHOLDS  
BUYING

**SOLD IN 13k+ Stores**

U.S. Pasture-Raised  
Retail Egg Market



**31.7%** Retail Dollar Sales  
CAGR  
2017-2019

**#1** U.S. Pasture-Raised  
Egg Brand  
By Retail Dollar Sales



**76%** Share of U.S. Pasture-  
Retail Egg Category  
By Retail Dollar Sales



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**Through and including \_\_\_\_\_, 2020 (the 25<sup>th</sup> day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.**

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Neither we, the selling stockholders nor any of the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. Neither we, the selling stockholders nor any of the underwriters take responsibility for, or can provide any assurance as to the reliability of, any other information that others may give you. We, the selling stockholders and the underwriters are offering to sell, and seeking offers to buy, shares of our common stock only under circumstances and in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

For investors outside the United States: Neither we, the selling stockholders nor any of the underwriters have done anything that would permit this offering or the possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside of the

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United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, this offering and the possession and distribution of this prospectus outside of the United States.

“Vital Farms” and our other registered and common law trade names, trademarks and service marks are the property of Vital Farms, Inc. or our subsidiaries. All other trademarks, trade names and service marks appearing in this prospectus are the property of their respective owners. Solely for convenience, the trademarks and trade names in this prospectus may be referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert their rights thereto.

We refer to our Series B redeemable convertible preferred stock, Series C redeemable convertible preferred stock and Series D redeemable convertible preferred stock as our “convertible preferred stock” in this prospectus.



## GLOSSARY

Unless we otherwise indicate, or unless the context requires otherwise, any references in this prospectus to the following key business terms have the respective meaning set forth below:

“**Branded eggs**” are eggs other than private label.

“**Breaker plants**” is a processor which converts shell eggs into further processed egg products.

“**Cage-free**” refers to eggs that come from hens that are not housed in cages.

“**Clean label**” refers to food products containing natural, familiar, simple ingredients that are easy to recognize, understand and pronounce, with no artificial ingredients or synthetic chemicals.

“**Crew members**” is a term we use to refer to our employees.

“**Egg Central Station**” refers to our approximately 82,000 square foot shell egg grading and packing facility in Springfield, Missouri, which is centrally located within our network of small family farms.

“**Hatchery**” refers to a place where poultry eggs are hatched under controlled conditions for commercial purposes.

“**Organic**” is a term regulated by the U.S. Department of Agriculture, or USDA, and refers to items the contents of which are 95% or more certified organic, meaning free of synthetic additives like pesticides, chemical fertilizers and dyes, and must not be processed using industrial solvents, irradiation or genetic engineering. The remaining 5% may only be foods or processed with additives on an approved list.

“**Pasture Belt**” is a term we use that refers to the U.S. region, including Arkansas and Georgia, and portions of Alabama, Illinois, Kansas, Kentucky, Mississippi, Missouri, Oklahoma, North Carolina, South Carolina, Tennessee and Texas, where pasture-raised eggs can be produced year-round.

“**Pasture raised**” refers to products produced from animals that were raised for at least some portion of their lives on pasture or with access to a pasture, not continually confined indoors.

“**Pullet**” refers to a young hen, especially less than 24 weeks old.

“**Refrigerated value-added dairy category**” includes cream, half & half, yogurt, cheese (including cream cheese and cheese spreads), sour cream and cottage cheese, but excludes milk and butter.

“**Retail SKUs**” refers to stock keeping units for discrete products (at universal product code level) that are sold through retail channels.

“**Traceable**” is the ability to track food through production, processing and distribution, including importation and at retail.

## MARKET, INDUSTRY AND OTHER DATA

This prospectus contains estimates, projections and other information concerning our industry, our business and the markets for our products. Some market data and statistical information contained in this prospectus are also based on management's estimates and calculations, which are derived from our review and interpretation of the independent sources listed below, our internal research and knowledge of our market. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates. In addition, projections, assumptions and estimates of the future performance of the industry in which we operate and our future performance are necessarily subject to uncertainty and risk due to a variety of factors, including those described in the sections titled "Risk Factors" and "Special Note Regarding Forward-Looking Statements." Among other items, certain of the market research included in this prospectus was published prior to the outbreak of the COVID-19 pandemic and did not anticipate the virus or the impact it has caused on the food industry. We have utilized this pre-pandemic market research in the absence of updated sources. These and other factors could cause results to differ materially from those expressed in the projections and estimates made by the independent third parties and us.

Unless otherwise expressly stated, we obtained industry, business, market and other data from the reports, publications and other materials and sources listed below. In some cases, we do not expressly refer to the sources from which this data is derived. In that regard, when we refer to one or more sources of this type of data in any paragraph, you should assume that other data of this type appearing in the same paragraph is derived from the same sources, unless otherwise expressly stated or the context otherwise requires.

The sources of certain statistical data, estimates and forecasts contained in this prospectus include the following independent industry publications or reports:

- Certified Humane, Humane Farm Animal Care, Animal Care Standards, February 1, 2018 Standards, Egg Laying Hens.
- SPINS, LLC, Panel Data, Refrigerated Eggs, 52 Weeks Ending March 1, 2020.
- SPINS, LLC, Refrigerated Eggs & Refrigerated Butter – MULO Channel and Natural Channel, 52 Weeks Ending December 31, 2017, December 30, 2018 and December 29, 2019.
- SPINS, LLC, Refrigerated Eggs & Refrigerated Butter – Natural Channel, 52 Weeks Ending March 22, 2020.
- SPINS, LLC, Refrigerated Eggs, Refrigerated Butter and Refrigerated Hard Boiled, MULO Channel and Natural Enhanced Channel, 52 Weeks Ending January 3, 2016, January 1, 2017, December 31, 2017, December 30, 2018 and December 29, 2019.
- SPINS, LLC, Refrigerated Eggs, Refrigerated Butter and Refrigerated Hard Boiled, MULO Channel and Natural Enhanced Channel, 52 Weeks Ending March 22, 2020.
- SPINS, LLC, Refrigerated Eggs, Refrigerated Butter and Refrigerated Hard Boiled – MULO Channel and Natural Channel, 13 Weeks Ending March 31, 2019 and March 29, 2020.
- SPINS, LLC, "State of the Natural Industry," [www.spins.com/spins-state-of-the-natural-industry-report](http://www.spins.com/spins-state-of-the-natural-industry-report), August 26, 2019.
- USDA AMS, "Utilization of Eggs Produced in the U.S.," 2019, <https://unitedegg.com/facts-stats>.
- Whole Foods Market, Inc., Refrigerated Eggs, Refrigerated Butter and Refrigerated Hard Boiled, 52 Weeks Ending January 3, 2016, January 1, 2017, December 31, 2017, December 30, 2018, December 29, 2019 and March 22, 2020.
- Whole Foods Market, Inc., Refrigerated Eggs, Refrigerated Butter and Refrigerated Hard Boiled – MULO Channel and Natural Channel, 13 Weeks Ending March 31, 2019 and March 29, 2020.

## PROSPECTUS SUMMARY

*This summary highlights selected information included elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including the sections titled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” and our consolidated financial statements and the related notes included elsewhere in this prospectus, before making an investment decision. Unless the context otherwise requires, all references in this prospectus to “Vital Farms,” the “company,” “we,” “our,” “us” or similar terms refer to Vital Farms, Inc. and its subsidiaries.*

### Overview

Vital Farms is an ethical food company that is disrupting the U.S. food system. We have developed a framework that challenges the norms of the incumbent food model and allows us to bring high-quality products from our network of small family farms to a national audience. This framework has enabled us to become the leading U.S. brand of pasture-raised eggs and butter and the second largest U.S. egg brand by retail dollar sales. Our ethics are exemplified by our focus on the humane treatment of farm animals and sustainable farming practices. We believe these standards produce happy hens with varied diets, which produce better eggs. There is a seismic shift in consumer demand for ethically produced, natural, traceable, clean-label, great-tasting and nutritious foods. Supported by a steadfast adherence to the values on which we were founded, we have designed our brand and products to appeal to this consumer movement.

Our purpose is rooted in a commitment to Conscious Capitalism, which prioritizes the long-term benefits of each of our stakeholders (farmers and suppliers, customers and consumers, communities and the environment, crew members and stockholders). Our business decisions consider the impact on all of our stakeholders, in contrast with the factory farming model, which principally emphasizes cost reduction at the expense of animals, farmers, consumers, employees, communities and the environment. These principles guide our day-to-day operations and, we believe, help us deliver a more sustainable and successful business. Our approach has been validated by our financial performance and our designation as a Certified B Corporation, a certification reserved for businesses that balance profit and purpose to meet the highest verified standards of social and environmental performance, public transparency and legal accountability.

### Our Ethical Decision-Making Model

Stakeholders	Guiding Principles
Farmers and Suppliers	<ul style="list-style-type: none"><li>Forming strong relationships with our network of approximately 200 small family farms, who are the foundation of our resilient and reliable supply chain</li><li>Delivering the transparency and quality around food products that today’s consumers demand</li><li>Empowering our crew members by investing in their financial security, development and overall well-being</li><li>Investing in our community and being conscious stewards of the environment</li><li>Building a sustainable company for the long term by delivering stockholder value</li></ul>
Customers and Consumers	
Crew Members	
Community and Environment	
Stockholders	



We have scaled our brand through our strong relationships with small family farms and deliberate efforts to design and build the infrastructure to bring our products to a national audience. Today, with a network of approximately 200 family farms, we believe our pasture-raised products have set the national standard for ethically produced food. We believe the success of our relationships with small family farms and the efficiency of our supply chain provide us with a competitive advantage in the approximately \$45 billion U.S. natural food and beverage industry, in which achieving reliable supply at a national scale can be challenging. In 2017, we opened Egg Central Station, a shell egg processing facility in Springfield, Missouri, which is centrally located within our network of family farms. Egg Central Station is capable of packing three million eggs per day and has achieved Safe Quality Food, or SQF, Level 3 certification, the highest level of such certification from the Global Food Safety Initiative, or GFSI. In addition, Egg Central Station is the only egg facility, and we are one of only six companies, globally to have received the Safe Quality Food Institute, or SQFI, Select Site certification, indicating that the site has voluntarily elected to undergo annual unannounced recertification audits by SQFI, the organization responsible for administering a global food safety and quality program known as the SQF Program. The design of Egg Central Station includes investments in support of each of our stakeholders, from our crew members (daylighting, climate control, slip resistant floors in the egg grading room), to the community and environment (consulting with the community before we built the facility, restoring native vegetation on the property, best-in-class storm water management), to our customers and consumers (food safety and maintenance investments far beyond regulatory requirements). We believe owning and operating this important element of our supply chain is a key differentiator and provides us with a competitive advantage, which we intend to continue to leverage to grow both our net revenue and gross margin.

Our loyal and growing consumer base has fueled the expansion of our brand from the natural channel to the mainstream channel and facilitated our entry into the foodservice channel. As of March 2020, we offer 20 retail SKUs through a multi-channel retail distribution network across more than 13,000 stores. Our products generate stronger velocities and, we believe, greater profitability per unit for our retail customers in key traffic-generating categories as compared to products offered by our competitors. We believe we have significant room for growth within the retail and, in the medium- to long-term, foodservice channels and can capture this opportunity by growing brand awareness and through new product innovation. We also believe there are incremental growth opportunities in additional distribution channels, including the convenience, drugstore, club, military and international markets, which we may access along with retail growth opportunities to enable us to continue our net revenue growth.

We have built a sustainable company founded on ethically produced products that increasingly resonate with consumers. Our trusted brand and Conscious Capitalism-focused business model have resulted in significant growth. We have increased net revenue from \$1.9 million in fiscal 2010 to \$140.7 million in fiscal 2019, which represents a 61% compounded annual growth rate, or CAGR. From fiscal 2017 to fiscal 2019, we grew net revenue by 90% and the number of stores carrying our products increased by 50%. Going forward, we expect the consumer movement away from factory farming practices will continue to fuel demand for ethically produced food. According to a 2018 survey of nearly 30,000 international consumers, 62% want brands to have ethical values and demonstrate authenticity in all parts of their business. We believe these demands extend to the food industry and that consumers are recognizing the benefits of pasture-raised egg and dairy products. Management is committed to ensuring our values remain aligned with those of our consumers while delivering stockholder value.

Evidence of our historical success in continuing to scale our business is shown in the graphics below. All dates refer to the year ended December 31, except for 2018 and 2019, which refer to the fiscal year ended December 30 and December 29, respectively.

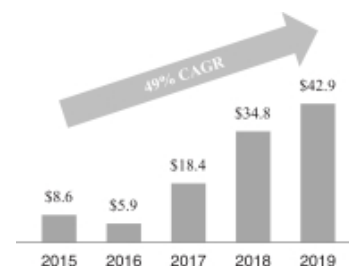
**Number of Stores**



**Net Revenue**  
\$MM



**Gross Profit**  
\$MM



**Our History**

Matthew O’Hayer and his wife Catherine Stewart founded Vital Farms in 2007 on a 27-acre plot of land in Austin, Texas. Armed with a small flock of hens, they maintained a strong belief that a varied diet and better animal welfare practices would lead to superior eggs. Our first sales came from farmers markets and restaurants around Austin and, less than a year later, our eggs were discovered by Whole Foods Market, Inc., or Whole Foods. Matt and Catherine saw the opportunity to do something more than sell eggs to a few stores. They chose to build a sustainable company that aligned with the family farming community and was able to profitably deliver quality products to a devoted consumer base. As our business has continued to grow, our model remains rooted in trust and mutual accountability with our farmers, who are and will remain core to our business.

In 2014, our current president and chief executive officer, Russell Diez-Canseco, joined Vital Farms and led the development of our large and scalable network of family farms. In 2015, recognizing the opportunity to elevate our production process and bolster long-term growth and profitability, we began the design process for Egg Central Station, which opened in 2017 in Springfield, Missouri. We meticulously designed Egg Central Station in service of all of our stakeholders by improving on the best practices we observed across numerous world-class facilities. Today, Egg Central Station is capable of packing three million eggs per day and has achieved SQF Level 3 certification, the highest level of such certification from the GFSI. In addition, Egg Central Station is the only egg facility, and we are one of only six companies, globally to have received the SQFI Select Site certification.

Demand for our high-quality products has enabled us to expand our brand beyond the natural channel and into the mainstream channel through relationships with Albertsons Companies, Inc., or Albertsons, The Kroger Co., or Kroger, Publix Super Markets, Inc., or Publix, Target Corporation, or Target, Walmart Inc., or Walmart, and numerous other national and regional food retailers. As of March 2020, our ethically produced pasture-raised products are sold in more than 13,000 stores nationwide. Over the course of our journey, our founder, Matthew O’Hayer, has continued to inform our strategic vision and remains intimately involved with the business as our executive chairman, going so far as to personally read and ensure a written response to each email and letter we receive from our loyal consumers.

## **Our Mission**

Our mission is to bring ethically produced food to the table. We do this by partnering with family farms that operate within our strictly defined set of ethical food production practices. We are motivated by the influence we have on rural communities through creating impactful, long-term business opportunities for small family farmers. Moreover, we are driven to stand up for sustainable production practices that have been largely cast aside under the factory farming system. In our view, this system has been consistently misguided, focused on producing products at lowest cost rather than driving long-term and sustainable benefits for all stakeholders.

Since inception, our values have been rooted in the principles of Conscious Capitalism. We believe managing our business in the best interest of all of our stakeholders will result in a more successful and sustainable enterprise. A key premise of our business model is our consumer-centric approach, which focuses on identifying consumer needs and developing products that address these needs. While remaining committed to ethical decision-making, we have achieved strong financial performance and earned the Certified B Corporation designation, reflecting our role as a contributor to the global cultural shift toward redefining success in business in order to build a more inclusive and sustainable economy. We believe our consumers connect with Vital Farms because they love our products, relate to our values and trust our practices.

## **Industry Overview**

We operate in the large and growing U.S. natural food and beverage industry that, according to SPINS, LLC data, was projected to generate total retail sales of approximately \$47.2 billion in 2019, accounting for approximately 10.5% of total projected food and beverage sales, and was projected to grow at a 6.4% CAGR between 2017 and 2019, outpacing total projected food and beverage growth of 1.9% over the same period. Consumer awareness of the negative health, environmental and agricultural impacts of processed food and factory farming standards has resulted in increased consumer demand for ethically produced food. We believe this trend has had a meaningful impact on the growth of the natural food industry, which is increasingly penetrating the broader U.S. food market as mainstream retailers respond to consumer demand. We believe increased demand for natural food and a willingness to pay a premium for brands focused on transparency, sustainability and ethical values will continue to be a catalyst for our growth.

According to SPINS, LLC data, the U.S. shell egg market in 2019 accounted for approximately \$5.4 billion in retail sales and has grown at a CAGR of 3.4% between 2017 and 2019. Our relatively low household penetration of 2%, or approximately 2.5 million U.S. households based on estimated U.S. census data, compared to the shell egg category penetration of approximately 93%, provides a significant long-term growth opportunity for our business. According to SPINS, LLC data, the U.S. pasture-raised retail egg market in 2019 accounted for approximately \$177.0 million in retail sales and has grown at a CAGR of 31.7% between 2017 and 2019, while the specialty egg (including pasture-raised, free-range and cage-free) market in 2019 accounted for approximately \$1.0 billion in retail sales and has grown at a CAGR of 7.5% between 2017 and 2019. Additionally, we estimate that the U.S. processed egg market in 2019 accounted for approximately \$2.7 billion in retail sales. According to SPINS, LLC data, the U.S. butter market in 2019 accounted for approximately \$3.3 billion in retail sales and has grown at a CAGR of 2.7% between 2017 and 2019. We believe the strength of our platform, coupled with significant investments in our crew members and infrastructure, position us to continue to deliver industry-leading growth across new and existing categories.



## Our Strengths

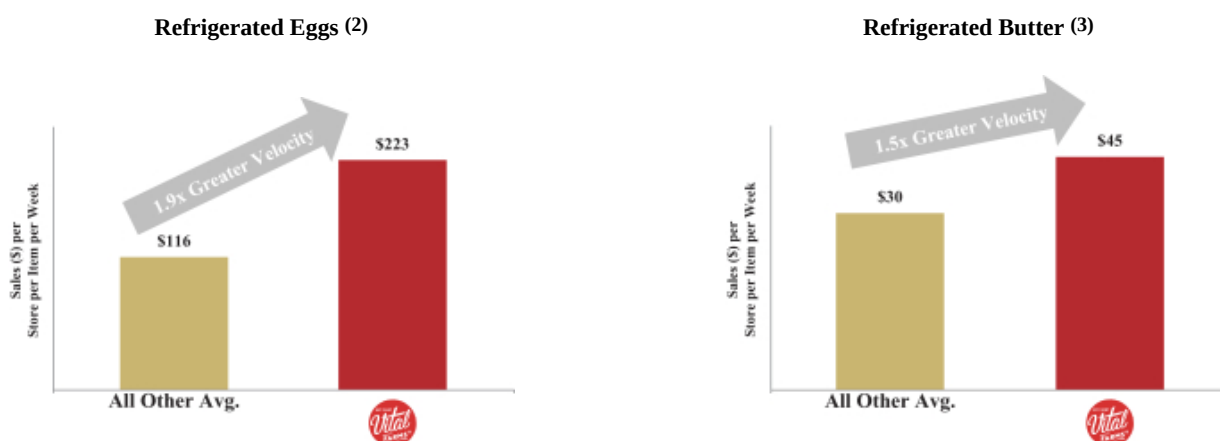
### Trusted Brand Aligned with Consumer Demands

We believe consumers have grown to trust our brand because of our adherence to our values and a high level of transparency. We have positioned our brand to capitalize on growing consumer interest in natural, clean-label, traceable, ethical, great-tasting and nutritious foods. Growing public awareness of major issues connected to animal farming, including human health, climate change and resource conservation, is closely aligned with our ethical mission. We believe consumers are increasingly focused on the source of their food and are willing to pay a premium for brands that deliver transparency, sustainability and integrity. As a company focused on driving the success of our stakeholders, our brand resonates with consumers who seek to align themselves with companies that share their values. Through our Vital Times newsletter and social media presence, we cultivate and support our relationship with consumers by communicating our values, building trust and promoting brand loyalty. For example, a survey we conducted in November 2019 found that 31% of our consumers surveyed insist on purchasing our egg brand and would not purchase another in its place.

### Strategic and Valuable Brand for Retailers

Our historical performance has demonstrated that we are a strategic and valuable partner to retailers. We have innovated and grown into adjacent food categories while reaching a broad set of consumers through a variety of retail partners, including Albertsons, Kroger, Publix, Target and Walmart. As of March 2020, we are the number one or two egg brand by retail dollar sales for branded eggs with key customers such as Kroger, Sprouts Farmers Market, or Sprouts, Target and Whole Foods. We believe the success of our brand demonstrates that consumers are demanding premium products that meet a higher ethical standard. We have expanded into the mainstream channel while still continuing to command premium prices for our ethically produced products, which sell for as much as three times the price of commodity eggs. We believe that our products are more attractive to retail customers because they help generate growth, deliver strong gross profits and drive strong velocities, as represented by the natural channel velocities depicted below.

#### Vital Farms Natural Channel Velocity versus All Other Competitors (1)



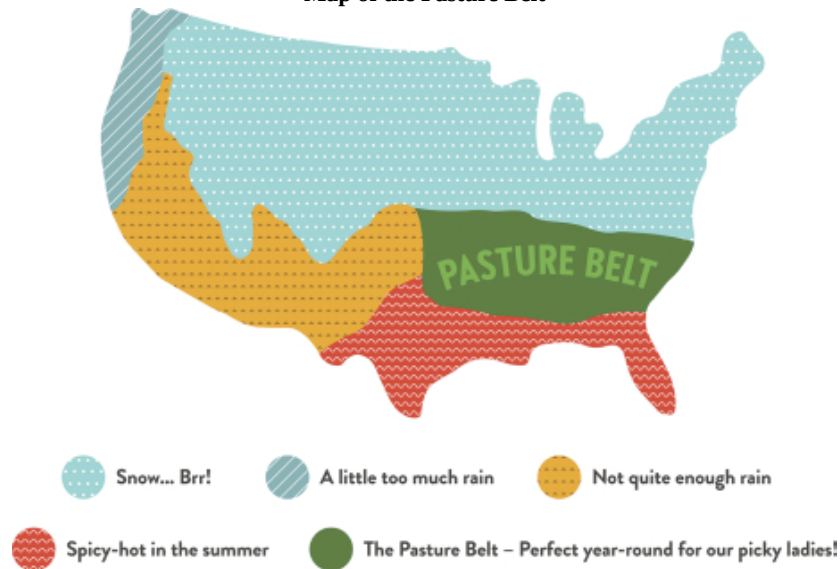
Source: Refrigerated Eggs & Refrigerated Butter - SPINS, LLC, Natural Channel, 52 Weeks Ending March 22, 2020

- (1) Channel Velocity (\$ / Store / Item / Week) is defined as weekly sales per store per item of products sold in retailers included in the Natural Channel.
- (2) Refrigerated egg competitors represent shell eggs in the Natural Channel.
- (3) Refrigerated butter competitors represent butter brands in the Natural Channel, excluding clotted cream and clarified butter.

### Supply Chain Rooted in Commitment to Our Stakeholders

Our ongoing commitment to the social and economic interests of our stakeholders guides our supply chain decisions. We carefully select and partner with family farms in the Pasture Belt, the U.S. region where pasture-raised eggs can be produced year-round. We establish supply contracts that we believe are attractive for all parties, demonstrate our commitment to our network of small family farms through educational programs that transfer critical best practice knowledge and pay farmers competitive prices for high-quality pasture-raised eggs. We believe our commitment to farmers facilitates more sustainable farm operations and significantly reduces turnover. Our network of small family farms gives us a strategic advantage through a scaled and sustainable supply chain and allows us to go to market with the highest quality pasture-raised premium products.

Map of the Pasture Belt



### Experienced and Passionate Team

We have an experienced and passionate executive management team that we refer to as the “C-crew,” which has approximately 60 years of combined industry experience and includes our president and chief executive officer, Russell Diez-Canseco, a seasoned food industry expert with over 16 years of relevant experience, including at H-E-B, a privately held supermarket chain. Our C-crew works in partnership with Matthew O’Hayer, our founder and executive chairman, who continues to inform our strategic vision with the entrepreneurial perspective gained through over 40 years of building businesses. We also have a deep bench of talent with strong business and operational experience, and crew members at all levels of our organization are passionate about addressing the needs of our stakeholders. We have leveraged the experience and passion of our C-crew, our founder and executive chairman and our other crew members to grow net revenue over 390% since the beginning of 2014, to enter our second major food category, butter, and to build our first shell egg processing facility, Egg Central Station.

## **Our Growth Strategies**

We believe our investments in our brand, our stakeholders and our infrastructure position us to continue delivering industry-leading growth that outpaces both the natural food industry and the overall food industry.

### **Expand Household Penetration through Greater Consumer Awareness**

Critical to the success of our mission is our ability to share the Vital Farms story with a broader audience. By educating consumers about our brand, our values and the premium quality of our products, we intend to increase our household penetration. Our relatively low household penetration of 2% for our pasture-raised shell eggs, compared to the shell egg category penetration of approximately 93%, shows that expanding the national presence of our brand offers a significant runway for future growth.

We are well positioned to increase household penetration of our products given their alignment with consumer trends and approachability with consumers. We intend to increase the number of consumers who buy our products by using digitally integrated media campaigns, social media tools and other owned media channels. We believe these efforts will educate consumers on our ethical values and the attractive attributes of our pasture-raised products, generate further demand for our products and ultimately expand our consumer base.

### **Grow Within the Retail Channel**

By leveraging greater consumer awareness and demand for our brand, we believe there is significant opportunity to grow volume with existing retail customers. Our products generate stronger velocities and, we believe, greater profitability per unit for our retail customers in the categories in which we compete. By capturing greater shelf space, driving higher product velocities and increasing our SKU count, we believe there is meaningful runway for further growth with existing retail customers. Beyond our existing retail footprint, we believe there is significant opportunity to gain incremental stores from existing retail customers as well as to add new retail customers. We also believe there are significant further long-term opportunities in additional distribution channels, including the convenience, drugstore, club, military and international markets.

### **Expand Footprint across Foodservice**

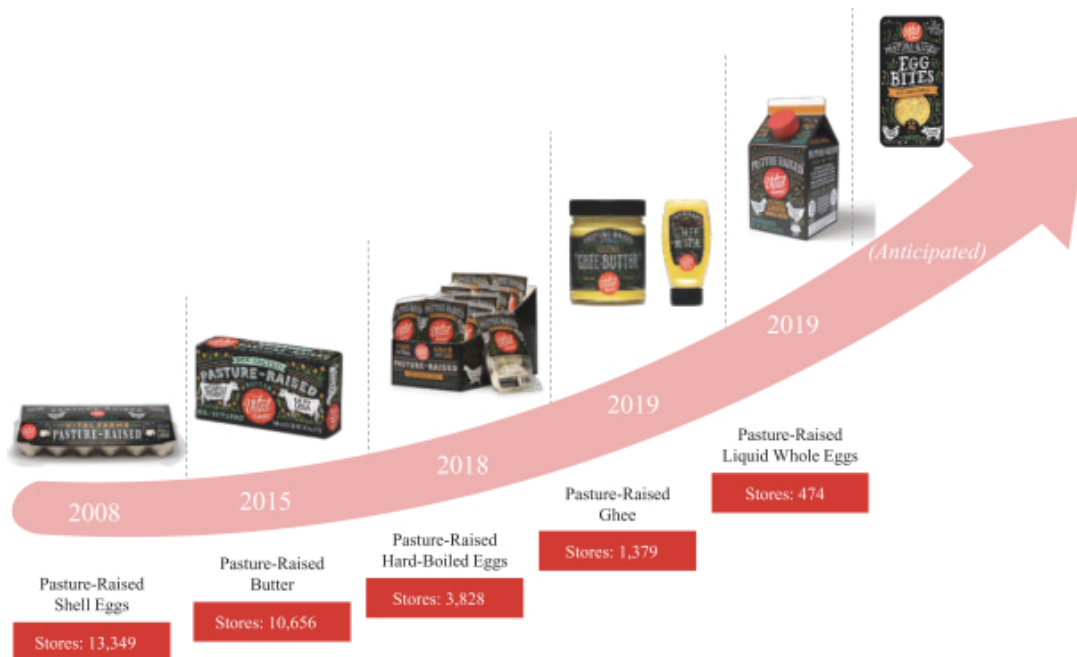
We believe there is significant demand for our products in the foodservice channel. We see significant opportunity for medium- to long-term growth in this channel through sales to foodservice operators supported by joint marketing and advertising. Our brand has a differentiated value proposition with consumers, and we believe consumers are increasingly demanding ethically produced ingredients when they eat outside of the home. We believe that more consumers will look for our products on menus, particularly with foodservice partners whose values are aligned with our own and that on-menu branding of our products as ingredients in popular meals and menu items will drive traffic and purchases in the foodservice channel. An example of our recent foodservice growth initiative is our relationship with Tacodeli, which sells breakfast tacos made exclusively with our pasture-raised shell eggs across 11 restaurant locations and more than 60 points of distribution, such as coffee shops and farmers market stands, across Texas. We believe branded foodservice offerings will further drive consumer awareness of our brand and purchase rates of our products in the retail channel.

### **Extend Our Product Offering through Innovation**

The successes of our core products have confirmed our belief that there is significant demand for pasture-raised and ethically produced food products. We expect to continue to extend our product offerings through innovation in both new and existing categories, including with our anticipated future launch of pasture-raised egg bites. As shown below, our current offerings span five product categories. In 2018, we launched the only pasture-raised hard-boiled eggs in the U.S. market, and in 2019, we launched both ghee and liquid whole eggs, the latter of which are the only pasture-raised liquid whole eggs in the U.S. market.



**Demonstrated Track Record of Portfolio Expansion**



*Note: Store count figures as of March 22, 2020.*

The success of our product portfolio and our proprietary consumer surveys confirm our belief that there is significant demand for our brand across a wide spectrum of food categories. Within this broader market, we believe the U.S. refrigerated value-added dairy category represents a total addressable market of \$33.2 billion and is the closest adjacency and best near-term opportunity for our brand. We have several products in our innovation pipeline that we believe will be successful in these adjacent markets.

**Risk Factors Summary**

Investing in our common stock involves substantial risks. The risks described in the section titled “Risk Factors” immediately following this summary may cause us to not realize the full benefits of our strengths or to be unable to successfully execute all or part of our strategy. Some of the more significant risks include the following:

- The COVID-19 pandemic could have a material adverse impact on our business, results of operations and financial condition.
- Our recent, rapid growth may not be indicative of our future growth, and if we continue to grow rapidly, we may not be able to effectively manage our growth or evaluate our future prospects. If we fail to effectively manage our future growth or evaluate our future prospects, our business could be adversely affected.
- We are dependent on the market for shell eggs.
- Sales of pasture-raised shell eggs contribute the vast majority of our revenue, and a reduction in these sales would have an adverse effect on our financial condition.

- We have incurred net losses in the past and we may not be able to maintain or increase our profitability in the future.
- Fluctuations in commodity prices and in the availability of feed grains could negatively impact our results of operations and financial condition.
- If we fail to effectively expand our processing, manufacturing and production capacity as we continue to grow and scale our business, our business and operating results and our brand reputation could be harmed.
- We are currently expanding Egg Central Station, and we may not successfully complete construction of or commence operations in this expansion, or the expanded facility may not operate in accordance with our expectations.
- If we fail to effectively maintain or expand our network of small family farms, our business, operating results and brand reputation could be harmed.
- Our future business, results of operations and financial condition may be adversely affected by reduced or limited availability of pasture-raised eggs and milk and other raw materials that meet our standards.
- We currently have a limited number of co-manufacturers. Loss of one or more of our co-manufacturers or our failure to timely identify and establish relationships with new co-manufacturers could harm our business and impede our growth.
- We could be adversely affected by a change in consumer preferences, perception and spending habits in the natural food industry and on animal-based products, in particular, and failure to develop or enrich our product offering or gain market acceptance of our new products could have a negative effect on our business.
- We use a limited number of distributors for the substantial majority of our sales, and if we experience the loss of one or more distributors and cannot replace them in a timely manner, our results of operations may be adversely affected.
- We are dependent on hatcheries and pullet farms to supply our network of family farms with laying hens. Any disruption in that supply chain could materially and adversely affect our business, financial condition or results of operations.
- We source substantially all of our shell egg cartons from a sole source supplier and any disruptions may impact our ability to sell our eggs.
- Because we rely on a limited number of third-party vendors to manufacture and store our products, we may not be able to maintain manufacturing and storage capacity at the times and with the capacities necessary to produce and store our products or meet the demand for our products.
- Our brand and reputation may be diminished due to real or perceived quality or food safety issues with our products, which could have an adverse effect on our business, reputation, operating results and financial condition.
- Failure to introduce new products may adversely affect our ability to continue to grow.
- All of our pasture-raised shell eggs are processed at Egg Central Station in Springfield, Missouri. Any damage or disruption at this facility may harm our business.
- Demand for shell eggs is subject to seasonal fluctuations and can adversely impact our results of operations in certain quarters.
- Food safety and food-borne illness incidents or advertising or product mislabeling may materially and adversely affect our business by exposing us to lawsuits, product recalls or regulatory enforcement actions, increasing our operating costs and reducing demand for our product offerings.

- Our operations are subject to FDA and USDA federal regulation, and there is no assurance that we will be in compliance with all regulations.
- As a public benefit corporation, our duty to balance a variety of interests may result in actions that do not maximize stockholder value.

### **Recent Developments**

This recent developments section includes forward-looking statements. All statements contained herein other than statements of historical facts, including, without limitation, statements regarding our expectations regarding our financial and operating results for the fiscal quarter ended June 28, 2020, and our future financial and business performance, are forward-looking statements. The words “anticipate,” “believe,” “continue,” “estimate,” “expect,” “intend,” “may,” “will” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks and uncertainties, including, without limitation, risks related to our growth and ability to sustain our revenue growth rate, competition in the markets in which we operate, market growth, our ability to innovate and manage our growth and the impact of the COVID-19 pandemic and associated global economic uncertainty. For additional information regarding the various risks and uncertainties inherent in estimates of this type, see “Special Note Regarding Forward-Looking Statements” and “Risk Factors” elsewhere in this prospectus.

### **Preliminary Consolidated Financial Results for the Fiscal Quarter Ended June 28, 2020**

The following preliminary consolidated financial information for the fiscal quarter ended June 28, 2020 is based upon our estimates and subject to completion of our financial closing procedures. Moreover, this data has been prepared solely on the basis of currently available information by, and is the responsibility of, Vital Farms. This information should be read in conjunction with our audited consolidated financial statements and related notes, our unaudited condensed consolidated financial statements and related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for prior periods included elsewhere in this prospectus. Our independent registered public accounting firm, KPMG LLP, has not audited or reviewed, and does not express an opinion with respect to, this data. This summary is not a comprehensive statement of our financial results for this period, and our actual results may differ from these estimates due to the completion of our financial closing procedures and final adjustments and other developments that may arise between the date of this prospectus and the time our final quarterly condensed consolidated financial statements are completed. Our actual results for the fiscal quarter ended June 28, 2020 will not be available until after the completion of this offering. There can be no assurance that these estimates will be realized, and these estimates are subject to risks and uncertainties, many of which are not within our control.



We have prepared estimates of the following preliminary consolidated financial data for the fiscal quarter ended June 28, 2020.

	Fiscal Quarter Ended June 28, 2020		% Change Fiscal Quarter Ended June 28, 2020 versus June 30, 2019	
	Range		Range	
	Low	High	Low	High
(in thousands)				
<b>Consolidated Statement of Operations Data:</b>				
Net revenue	\$57,300	\$58,500	77%	81%
Cost of goods sold	35,800	36,500	68	71
Gross profit	21,500	22,000	95	100
Income from operations	8,100	8,300	107	112
Gross margin	38%	38%	345 BPs <sup>(1)</sup>	354 BPs <sup>(1)</sup>
Adjusted EBITDA	\$ 8,400	\$ 8,600	89%	94%
Net income	\$ 5,300	\$ 5,400	90%	94%
Depreciation and amortization	500	500	35	35
Provision for income taxes	2,500	2,600	128	137
Stock-based compensation expense	300	300	110	110
Interest expense	100	100	27	27
Change in fair value of contingent consideration	(300)	(300)	(1,975)	(1,975)
Interest income	—	—	(100)	(100)
Net litigation settlement gain	—	—	—	—
Adjusted EBITDA	<u>\$ 8,400</u>	<u>\$ 8,600</u>	89%	94%

	June 28, 2020 (in thousands)
<b>Consolidated Balance Sheet and Other Data:</b>	
Net cash provided by operating activities for the twenty-six week period ended	\$ 17,728
Cash and cash equivalents	17,094
Working capital	20,705
Long-term debt, net of issuance costs, including current portion	9,776

(1) BPs denotes the basis point change in gross margin, with 345 BPs indicating an improvement in gross margin from 34% to 38%.

#### **Net Revenue**

Our preliminary estimated net revenue for the fiscal quarter ended June 28, 2020 compared to the fiscal quarter ended June 30, 2019 increased by a range of approximately \$25.0 million to \$26.2 million. The estimated increase in our net revenue was driven primarily by a range of 57% to 60% increase in gross egg sales and a range of 67% to 71% increase in butter sales due to volume increases to distributors, a higher turnover rate of sales to our retail customers and pantry-stocking trends associated with COVID-19 whereby customers increase their purchases of staples such as eggs and butter. We believe that approximately half of our estimated growth for the fiscal quarter ended June 28, 2020 was driven by the impact of such pantry-stocking trends; nevertheless, we do not have certainty that these trends will continue. Our preliminary estimated net revenue from sales through our retail channel are expected to be between \$56.0 million and \$57.5 million, which represents an increase range of approximately \$24.6 million to \$26.1 million for the fiscal quarter ended June 28, 2020 compared to net revenue from sales through our retail channel of \$31.4 million for the fiscal quarter ended June 30, 2019.

### ***Gross Profit and Gross Margin***

Our preliminary estimated gross profit for the fiscal quarter ended June 28, 2020 compared to the fiscal quarter ended June 30, 2019 increased by a range of approximately \$10.5 million to \$11.0 million. This increase was driven primarily by an increase in production efficiencies due to our increase in sales volume. We believe that 280 basis points of our estimated gross margin for the fiscal quarter ended June 28, 2020 was driven by the impact from pantry-stocking trends associated with COVID-19.

### ***Income from Operations***

Our preliminary estimated income from operations for the fiscal quarter ended June 28, 2020 compared to the fiscal quarter ended June 30, 2019 increased by a range of approximately \$4.2 million to \$4.4 million. This increase was driven primarily by increased gross profit and our ability to leverage our fixed operating costs across increased sales volume.

### ***Net Cash Provided by Operating Activities***

Our preliminary estimated net cash provided by operating activities for the twenty-six week period ended June 28, 2020 increased by a range of approximately \$15.7 million to \$17.7 million, driven primarily by our improvement in net income, decrease in inventory, and increases in accounts payable and other accrued liabilities.

### ***Effects of COVID-19 on Our Business***

The COVID-19 pandemic and resulting global disruptions have affected our business, as well as the interests of our stakeholders. To serve our customers and communities while also providing for the safety of our crew members, farmers and suppliers, we have adapted numerous aspects of our logistics, transportation, supply chain, purchasing and third-party seller processes. Among other actions, we have prioritized processing and delivery of our core egg products, particularly our pasture-raised shell eggs. We are also strategically maintaining excess inventory, product packaging and Egg Central Station processing capacity in order to address any significant demand spikes. Additionally, we have restricted employee travel, cancelled certain events with consumers, customers or partners, imposed operational safeguards at Egg Central Station and limited access to our headquarters. We continue to monitor the rapidly evolving situation and expect to continue to adapt our operations to address federal, state and local standards as well as to implement standards or processes that we determine to be in the best interests of our stakeholders.

To the extent that these restrictions remain in place, additional prevention and mitigation measures are implemented in the future or there is uncertainty about the effectiveness of these or any other measures to contain or treat COVID-19, there is likely to be adverse impact on global economic conditions and consumer confidence and spending, which could materially and adversely affect our supply chain as well as the demand for our products. While at this time we are working to manage and mitigate potential disruptions to our supply chain, and we have not experienced decreases in demand or material financial impacts as compared to prior periods, the fluid nature of the COVID-19 pandemic and uncertainties regarding the related economic impact are likely to result in sustained market turmoil, which could also negatively impact our business, financial condition and cash flows.

### ***Executive Team Update***

As part of our long-term strategy to support our business and develop our infrastructure as a public company, we are working with Jason Dale, our current Chief Operating Officer and Chief Financial Officer, to separate the Chief Operating Officer and Chief Financial Officer functions into separate roles. In July 2020,

Bo Meissner joined Vital Farms as Executive Vice President, Finance. We anticipate that following a successful transition period, Mr. Meissner will be appointed as our Chief Financial Officer on January 1, 2021, and Mr. Dale will retain the role of Chief Operating Officer.

### **Our Corporate Information**

We were founded in 2007, originally incorporated in Texas in July 2009 and reincorporated in Delaware in June 2013, and we became a public benefit corporation in Delaware in October 2017. Our principal executive offices are located at 3601 South Congress Avenue, Suite C100, Austin, Texas 78704, and our telephone number is (877) 455-3063. Our website address is [www.vitalfarms.com](http://www.vitalfarms.com). Information contained on, or that can be accessed through, our website is not incorporated by reference into this prospectus, and you should not consider information on our website to be part of this prospectus or in deciding to purchase our common stock.

### **Certified B Corporation**

While not required by Delaware law or the terms of our certificate of incorporation, we have elected to have our social and environmental performance, accountability and transparency assessed against the proprietary criteria established by B Lab, an independent non-profit organization. As a result of this assessment, in December 2015, we were designated as a “Certified B Corporation.” In order to be designated as a Certified B Corporation, companies are required to take a comprehensive and objective assessment of their positive impact on society and the environment. See the sections titled “Business—Certified B Corporation” and “Description of Capital Stock—Anti-Takeover Provisions—Public Benefit Corporation” for additional information.

### **Public Benefit Corporation Status**

In connection with our Certified B Corporation status and as a demonstration of our long-term commitment to our mission to bring ethically produced food to the table by coordinating a collection of family farms to operate with a well-defined set of organic agricultural practices that include the humane treatment of farm animals as a central tenet, we elected in October 2017 to be treated as a public benefit corporation under Delaware law. As provided in our certificate of incorporation, the public benefits that we promote, and pursuant to which we manage our company, are: (i) bringing ethically produced food to the table; (ii) bringing joy to our customers through products and services; (iii) allowing crew members to thrive in an empowering, fun environment; (iv) fostering lasting partnerships with our farms and suppliers; (v) forging an enduring profitable business; and (vi) being stewards of our animals, land, air and water, and being supportive of our community. Being a public benefit corporation underscores our commitment to our purpose and our stakeholders, including farmers and suppliers, consumers and customers, communities and the environment, crew members and stockholders. See the section titled “Business—Public Benefit Corporation” and “Description of Capital Stock—Anti-Takeover Provisions—Public Benefit Corporation Status” for additional information.

### **Our Fiscal Year**

We report on a 52-53-week fiscal year, ending on the last Sunday in December, effective beginning with the first quarter of 2018. In a 52-53-week fiscal year, each fiscal quarter consists of 13 weeks. The additional week in a 53-week fiscal year is added to the fourth quarter, making such quarter consist of 14 weeks. Our first 53-week fiscal year will be fiscal 2023, which we expect to begin on December 26, 2022 and end on December 31, 2023. See Note 1 to our consolidated financial statements and Note 1 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus for additional details related to our fiscal calendar.

**Implications of Being an Emerging Growth Company**

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. We may take advantage of certain exemptions from various public company reporting requirements, including not being required to have our internal control over financial reporting audited by our independent registered public accounting firm under Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and any golden parachute payments. We may take advantage of these exemptions for up to five years or until we are no longer an emerging growth company, whichever is earlier. In addition, the JOBS Act provides that an emerging growth company can delay adopting new or revised accounting standards until those standards apply to private companies. We have elected to use the extended transition period under the JOBS Act. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

## THE OFFERING

Common stock offered by us	5,040,323 shares
Common stock offered by the selling stockholders	2,772,177 shares (or 3,944,052 shares if the underwriters exercise their option to purchase additional shares of common stock in full)
Common stock to be outstanding after this offering	39,175,767 shares
Use of proceeds	<p>We estimate that our net proceeds from the sale of our common stock that we are offering will be approximately \$71.3 million assuming an initial public offering price of \$16.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders.</p> <p>The principal purposes of this offering are to increase our capitalization and financial flexibility, to create a public market for our common stock and to facilitate our future access to the capital markets. As of the date of this prospectus, we cannot specify with certainty all of the particular uses for the net proceeds we receive from this offering. However, we currently intend to use the net proceeds we receive from this offering for general corporate purposes, including working capital, operating expenses and capital expenditures. We currently expect that these capital expenditures will include approximately \$15.0 million of net proceeds from this offering to further fund the expansion of Egg Central Station, additional funding for which may also come from cash on hand or borrowings under our credit facility with PNC Bank, National Association. We may also use a portion of the net proceeds we receive from this offering to acquire complementary businesses, products, services or technologies. However, we do not have agreements or commitments to enter into any acquisitions at this time.</p> <p>See the section titled “Use of Proceeds” for additional information.</p>
Selling stockholders; concentration of ownership	<p>The selling stockholders identified in this prospectus are selling an aggregate of 2,772,177 shares of common stock in this offering and have granted the underwriters an option to purchase an additional 1,171,875 shares of common stock. Following this offering, our executive officers, directors and stockholders holding more than 5% of our outstanding capital stock, together with their affiliates, will hold, in the aggregate, approximately 71.3% of our outstanding capital stock (excluding any shares purchased in the directed share program described below). See the section titled “Principal and Selling Stockholders” for additional information.</p>



Directed share program

At our request, the underwriters have reserved for sale, at the initial public offering price per share, up to 5% of the shares of common stock offered by this prospectus to certain individuals, including our directors, employees and certain friends and family of Vital Farms identified by our directors and management, through a directed share program. Any shares purchased in the directed share program will not be subject to a lock-up restriction, except in the case of shares purchased by any director or executive officer. The number of shares of common stock available for sale to the general public will be reduced by the number of reserved shares sold to these individuals. Any reserved shares not purchased by these individuals will be offered by the underwriters to the general public on the same basis as the other shares of common stock offered under this prospectus. See the section titled “Underwriting.”

Risk factors

You should carefully read the section titled “[Risk Factors](#)” beginning on page 21 and the other information included in this prospectus for a discussion of facts that you should consider before deciding to invest in shares of our common stock.

Proposed trading symbol

“VITL”

The number of shares of common stock that will be outstanding after this offering is based on 34,135,444 shares of common stock outstanding as of March 29, 2020, and excludes:

- 4,915,272 shares of common stock issuable on the exercise of outstanding stock options as of March 29, 2020 under our 2013 Incentive Plan, or 2013 Plan, with a weighted-average exercise price of \$3.58 per share;
- 52,888 shares of common stock issuable upon the exercise of outstanding stock options issued after March 29, 2020 pursuant to our 2013 Plan with a weighted-average exercise price of \$13.31 per share;
- 196,800 shares of common stock issued on June 9, 2020 upon the exercise of a common stock warrant;
- 3,000,000 shares of common stock reserved for future issuance under our 2020 Equity Incentive Plan, or 2020 Plan, which will become effective immediately prior to the execution of the underwriting agreement related to this offering, from which we will issue the IPO Grants and Director IPO Grants described below, plus, any future increases in the number of shares of Class A common stock reserved for issuance thereunder, as more fully described in the section titled “Executive Compensation—Employee Benefit Plans—2020 Equity Incentive Plan”;
- 421,202 shares of our common stock issuable upon the exercise of stock options to be granted under our 2020 Plan upon the pricing of this offering with an exercise price per share equal to the initial public offering price per share, of which 62,500 shares will be granted to our named executive officers as described under the section titled “Executive Compensation—IPO Grants,” which we refer to as the IPO Grants;
- 45,000 shares of our common stock issuable as restricted stock units to be granted to our non-employee directors under our 2020 Plan on the second trading day following the execution of the underwriting agreement related to this offering, which we refer to as the Director IPO Grants; and
- 900,000 shares of common stock reserved for issuance under our 2020 Employee Stock Purchase Plan, or ESPP, which will become effective immediately prior to the execution of the underwriting

agreement related to this offering, as well as any future increases, including annual automatic evergreen increases, in the number of shares of common stock reserved for future issuance thereunder.

In addition, unless we specifically state otherwise, the information in this prospectus assumes:

- a 2.46-for-one stock split of our common stock and convertible preferred stock effected on July 22, 2020;
- the filing of our amended and restated certificate of incorporation and the effectiveness of our amended and restated bylaws, each of which will occur immediately prior to the completion of this offering;
- the automatic conversion of all outstanding shares of convertible preferred stock into an aggregate of 8,192,876 shares of common stock, which will occur immediately prior to the completion of this offering;
- no exercise of the underwriters' option to purchase additional shares of common stock from the selling stockholders in this offering; and
- no exercise of the outstanding stock options described above.

## SUMMARY CONSOLIDATED FINANCIAL DATA

The summary consolidated statements of operations data for the fiscal years ended December 31, 2017, December 30, 2018 and December 29, 2019 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary condensed consolidated statements of operations data for the fiscal quarters ended March 31, 2019 and March 29, 2020 and the summary condensed consolidated balance sheet data as of March 29, 2020 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. You should read the consolidated financial data set forth below in conjunction with our consolidated financial statements and related notes and the information in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results to be expected for any period in the future.

	Fiscal Year Ended			Fiscal Quarter Ended	
	December 31, 2017	December 30, 2018	December 29, 2019	March 31, 2019	March 29, 2020
(in thousands, except share and per share data)					
<b>Consolidated Statements of Operations Data:</b>					
Net revenue	\$ 74,000	\$ 106,713	\$ 140,733	\$ 32,945	\$ 47,579
Cost of goods sold	55,612	71,894	97,856	21,439	31,724
Gross profit	18,388	34,819	42,877	11,506	15,855
Operating expenses:					
Selling, general and administrative <sup>(1)</sup>	14,261	19,437	29,526	5,164	9,678
Shipping and distribution	5,724	8,615	10,001	2,079	3,274
Total operating expenses	19,985	28,052	39,527	7,243	12,952
(Loss) income from operations	(1,597)	6,767	3,350	4,263	2,903
Other (expense) income, net					
Interest expense, net	(524)	(424)	(349)	(86)	(158)
Other income	9	9	1,417	1,269	20
Total other (expense) income, net	(515)	(415)	1,068	1,183	(138)
Net (loss) income before income taxes	(2,112)	6,352	4,418	5,446	2,765
Provision for income taxes	33	723	1,106	1,421	831
Net (loss) income	(2,145)	5,629	3,312	4,025	1,934
Less: Net (loss) income attributable to noncontrolling interests	(225)	\$ (168)	\$ 927	967	(11)
Net (loss) attributable to Vital Farms, Inc. common stockholders	\$ (1,920)	\$ 5,797	\$ 2,385	\$ 3,058	\$ 1,945
Net (loss) income per share attributable to Vital Farms, Inc. common stockholders: <sup>(2)</sup>					
Basic	\$ (0.07)	\$ 0.22	\$ 0.09	\$ 0.12	\$ 0.07
Diluted	\$ (0.07)	\$ 0.16	\$ 0.07	\$ 0.09	\$ 0.05
Weighted-average shares used to compute net (loss) income per share attributable to Vital Farms, Inc. common stockholders: <sup>(2)</sup>					
Basic	25,795,865	25,809,665	25,897,223	26,221,974	25,942,277
Diluted	25,795,865	35,258,594	36,071,015	35,766,018	37,118,484
Pro forma net income per share attributable to Vital Farms, Inc. common stockholders: <sup>(2)</sup>					
Basic			\$ 0.07		\$ 0.06
Diluted			\$ 0.07		\$ 0.05
Weighted-average shares used to compute pro forma net income per share attributable to Vital Farms, Inc. common stockholders: <sup>(2)</sup>					
Basic			34,090,099		34,135,153
Diluted			36,071,015		37,118,484

- (1) Includes stock-based compensation expense of \$495, \$600 and \$1,029 for the fiscal years 2017, 2018 and 2019, respectively, and \$143 and \$448 for the fiscal quarters ended March 31, 2019 and March 29, 2020, respectively.
- (2) See Note 17 to our consolidated financial statements and Note 14 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted net (loss) income per share attributable to Vital Farms, Inc. common stockholders and the weighted-average number of shares used in the computation of the per share amounts.

	As of March 29, 2020		
	Actual	Pro Forma(1)	Pro Forma As Adjusted(2)(3)
	(in thousands)		
<b>Consolidated Balance Sheet Data:</b>			
Cash and cash equivalents	\$ 1,711	\$ 1,711	\$ 74,205
Working capital(4)	9,779	9,779	81,128
Total assets	67,422	67,422	138,325
Long-term debt, net of issuance costs, including current portion	10,216	10,216	10,216
Contingent consideration, including current portion	582	582	582
Total liabilities	33,181	33,181	32,735
Convertible preferred stock	23,036	—	—
Total stockholders' equity	11,030	34,066	105,415

- (1) The pro forma consolidated balance sheet data gives effect to (a) the automatic conversion of all outstanding shares of convertible preferred stock into an aggregate of 8,192,876 shares of common stock and (b) the filing and effectiveness of our amended and restated certificate of incorporation, each of which will occur immediately prior to the completion of this offering.
- (2) The pro forma as adjusted consolidated balance sheet data gives effect to (a) the items described in footnote (1) above and (b) our receipt of estimated net proceeds from the sale of 5,040,323 shares of common stock that we are offering at an assumed initial public offering price of \$16.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.
- (3) A \$1.00 increase (decrease) in the assumed initial public offering price of \$16.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) each of cash and cash equivalents, total assets, working capital and total stockholders' equity by \$4.7 million, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 1,000,000 shares in the number of shares of common stock offered by us would increase (decrease) each of cash and cash equivalents, total assets, working capital and total stockholders' equity by \$14.9 million, assuming the assumed initial public offering price of \$16.00 per share of common stock remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.
- (4) Working capital is defined as current assets less current liabilities.

#### Non-GAAP Financial Measure—Adjusted EBITDA

	Fiscal Year Ended			Fiscal Quarter Ended	
	December 31, 2017	December 30, 2018	December 29, 2019	March 31, 2019	March 29, 2020
	(in thousands)				
<b>Non-GAAP Financial Measure:</b>					
Adjusted EBITDA(1)(2)	\$ (163)	\$ 7,896	\$ 6,406	\$ 4,809	\$ 3,799

- (1) We calculate Adjusted EBITDA as net (loss) income, adjusted to exclude: (1) depreciation and amortization; (2) provision for income taxes; (3) stock-based compensation expense; (4) interest expense; (5) change in fair value of contingent consideration; (6) interest income; and (7) net litigation settlement gain.

Adjusted EBITDA is a financial measure that is not required by, or presented in accordance with generally accepted accounting principles in the United States, or GAAP. We believe that Adjusted EBITDA, when taken together with our financial results presented in accordance with GAAP, provides meaningful supplemental information regarding our operating performance and facilitates internal comparisons of our historical operating performance on a more consistent basis by excluding certain items that may not be indicative of our business, results of operations or outlook. In particular, we believe that the use of Adjusted EBITDA is helpful to our investors as it is a measure used by management in assessing the health of our business, determining incentive compensation and evaluating our operating performance, as well as for internal planning and forecasting purposes.

Adjusted EBITDA is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. Some of the limitations of Adjusted EBITDA

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include that (i) it does not properly reflect capital commitments to be paid in the future, (ii) although depreciation and amortization are non-cash charges, the underlying assets may need to be replaced and Adjusted EBITDA does not reflect these capital expenditures, (iii) it does not consider the impact of stock-based compensation expense, (iv) it does not reflect other non-operating expenses, including interest expense, (v) it does not consider the impact of any contingent consideration liability valuation adjustments and (vi) it does not reflect tax payments that may represent a reduction in cash available to us. In addition, our use of Adjusted EBITDA may not be comparable to similarly titled measures of other companies because they may not calculate Adjusted EBITDA in the same manner, limiting its usefulness as a comparative measure. Because of these limitations, when evaluating our performance, you should consider Adjusted EBITDA alongside other financial measures, including our net income and other results stated in accordance with GAAP.

- (2) The following table presents a reconciliation of Adjusted EBITDA to net (loss) income, the most directly comparable financial measure stated in accordance with GAAP, for each of the periods presented:

	Fiscal Year Ended			Fiscal Quarter Ended	
	December 31, 2017	December 30, 2018	December 29, 2019	March 31, 2019	March 29, 2020
	(in thousands)				
Net (loss) income	\$ (2,145)	\$ 5,629	\$ 3,312	\$ 4,025	\$ 1,934
Depreciation and amortization	821	1,437	1,921	356	456
Provision for income taxes	33	723	1,106	1,421	831
Stock-based compensation expense	495	600	1,029	143	448
Interest expense	524	424	349	86	158
Change in fair value of contingent consideration(a)	118	92	70	22	(23)
Interest income	(9)	(9)	(181)	(44)	(5)
Net litigation settlement gain(b)	—	(1,000)	(1,200)	(1,200)	—
Adjusted EBITDA	\$ (163)	\$ 7,896	\$ 6,406	\$ 4,809	\$ 3,799

(a) Amount reflects the change in fair value of a contingent consideration liability in connection with our 2014 acquisition of certain assets of Heartland Eggs, LLC.

(b) For the fiscal year ended December 30, 2018, amount reflects an April 2018 gain in connection with the settlement of a lawsuit in which we were the plaintiff. For the fiscal year ended December 29, 2019 and the fiscal quarter ended March 31, 2019, amounts reflect a January 2019 gain in connection with the settlement of claims made pursuant to a lawsuit in which Ovabrite, Inc. was the defendant and a countersuit in which Ovabrite, Inc. was the plaintiff.



## RISK FACTORS

*Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information in this prospectus, before deciding whether to invest in shares of our common stock. If any of the following risks actually occurs, our business, results of operations and financial condition could be adversely affected. In this case, the trading price of our common stock would likely decline and you might lose part or all your investment.*

### **Risks Related to Our Business, Our Brand, Our Products and Our Industry**

#### ***The COVID-19 pandemic could have a material adverse impact on our business, results of operations and financial condition.***

In connection with the COVID-19 pandemic, governments have implemented significant measures, including closures, quarantines, travel restrictions and other social distancing directives, intended to control the spread of the virus. Companies have also taken precautions, such as requiring employees to work remotely, imposing travel restrictions and temporarily closing businesses. To the extent that these restrictions remain in place, additional prevention and mitigation measures are implemented in the future, or there is uncertainty about the effectiveness of these or any other measures to contain or treat COVID-19, there is likely to be an adverse impact on global economic conditions and consumer confidence and spending, which could materially and adversely affect our supply chain as well as the demand for our products. While at this time we are working to manage and mitigate potential disruptions to our supply chain, and we have not experienced decreases in demand or material financial impacts as compared to prior periods, the fluid nature of the COVID-19 pandemic and uncertainties regarding the related economic impact are likely to result in sustained market turmoil, which could also negatively impact our business, financial condition and cash flows.

The impact of COVID-19 on any of our suppliers, co-manufacturers, distributors or transportation or logistics providers may negatively affect the price and availability of our raw materials and impact our supply chain. If the disruptions caused by COVID-19 continue for an extended period of time, our ability to meet the demands of our customers may be materially impacted. Additionally, while Egg Central Station, a shell egg processing facility we operate in Springfield, Missouri, remains operational, if we are forced to scale back hours of operation or close this facility in response to the pandemic, we expect our business, financial condition and results of operations would be materially and adversely affected.

Further, COVID-19 may impact customer and consumer demand. Retail and grocery stores may be impacted if governments continue to implement regional business closures, quarantines, travel restrictions and other social distancing directives to slow the spread of the virus. Further, to the extent our customers' operations are negatively impacted, our customers may reduce demand for or spending on our products, or customers or distributors may delay payments to us or request payment or other concessions. There may also be significant reductions or volatility in consumer demand for our products due to travel restrictions or social distancing directives, as well as the temporary inability of consumers to purchase our products due to illness, quarantine or financial hardship, shifts in demand away from one or more of our products, decreased consumer confidence and spending or pantry-loading activity, any of which may negatively impact our results, including as a result of an increased difficulty in planning for operations. Additionally, we may be unable to effectively modify our trade promotion and advertising activities to reflect changing consumer viewing and shopping habits due to event cancellations, reduced in-store visits and travel restrictions, among other things. Further, governmental restrictions on the movement of people, public gatherings and businesses are likely to result in fewer people eating out and greater numbers of restaurant closures, both of which would negatively affect our foodservice business.

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 pandemic, all of which are uncertain and

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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 persist as a severe worldwide health crisis, the disease could have a material adverse effect on our business, financial condition results of operations and cash flows, and may also have the effect of heightening many of the other risks described in this “Risk Factors” section.

***Our recent, rapid growth may not be indicative of our future growth and, if we continue to grow rapidly, we may not be able to effectively manage our growth or evaluate our future prospects. If we fail to effectively manage our future growth or evaluate our future prospects, our business could be adversely affected.***

We have grown rapidly since inception and anticipate further growth. For example, our net revenue increased from \$74.0 million in fiscal 2017 to \$106.7 million in fiscal 2018 to \$140.7 million in fiscal 2019. The number of our full-time crew members increased from 144 at December 31, 2017 to 161 at December 29, 2019. This growth has placed significant demands on our management, financial, operational, technological and other resources. The anticipated growth and expansion of our business depends on a number of factors, including our ability to:

- increase awareness of our brand and successfully compete with other companies;
- price our products effectively so that we are able to attract new customers and consumers and expand sales to our existing customers and consumers;
- expand distribution to new points of sales with new and existing customers;
- continue to innovate and introduce new products;
- expand our supplier, co-manufacturing, co-packing, cold storage, processing and distribution capacities; and
- maintain quality control over our product offerings.

Such growth and expansion of our business will place significant demands on our management and operations teams and require significant additional resources, financial and otherwise, to meet our needs, which may not be available in a cost-effective manner, or at all. We expect to continue to expend substantial resources on:

- our current and future processing facilities;
- our sales and marketing efforts to increase brand awareness, engage our existing and prospective customers, and drive sales of our products;
- product innovation and development; and
- general administration, including increased finance, legal and accounting expenses associated with being a public company.

These investments may not result in the growth of our business. Even if these investments do result in the growth of our business, if we do not effectively manage our growth, we may not be able to execute on our business plan, respond to competitive pressures, take advantage of market opportunities, satisfy customer requirements or maintain high-quality product offerings, any of which could adversely affect our business, financial condition and results of operations.

***We have incurred net losses in the past and we may not be able to maintain or increase our profitability in the future.***

For the fiscal years ended December 30, 2018 and December 29, 2019, we generated net income of \$5.6 million and \$3.3 million, respectively. For the fiscal quarters ended March 31, 2019 and March 29, 2020, we

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generated net income of \$4.0 million and \$1.9 million, respectively. However, we have experienced net losses in prior years, including a net loss of \$2.1 million in fiscal 2017. Our ability to maintain or increase our profitability is subject to various factors, many of which are beyond our control. As we expand our operations, we anticipate that our operating expenses and capital expenditures will increase substantially in the foreseeable future as we continue to invest to increase our household penetration, customer base, supplier network, marketing channels and product portfolio, expand and enhance our processing, manufacturing and distribution facilities as needed, and hire additional crew members. Our expansion efforts may prove more expensive than we anticipate (including as a result of increases in equipment prices, which may be due to actual or threatened disruptions in our equipment supply chain relating to public health pandemics, such as COVID-19, trade wars or other factors), and we may not succeed in increasing our net revenue and margins sufficiently to offset the anticipated higher expenses. We have incurred significant expenses in connection with investing in our egg processing facility, our co-manufacturing and co-packing relationships, and obtaining and storing raw materials, and we will continue to incur significant expenses in developing our innovative products and marketing the products we offer. In addition, many of our expenses, including the costs associated with our existing and any future processing and manufacturing facilities, are fixed. After this offering, we also expect to incur significant additional legal, accounting and other expenses as a public company that we did not incur as a private company. If we fail to continue to grow our revenue at a greater rate than our costs and expenses, we may be unable to maintain or increase our profitability and may incur losses in the future.

### ***We are dependent on the market for shell eggs.***

We contract with family farms to purchase all of their egg production for the duration of our contracts. We are contractually obligated to purchase these eggs irrespective of our ability to sell such eggs. Periodically in our industry, including recently, there has been an oversupply of eggs, which has caused egg prices to contract, sometimes substantially so, and as a result we have sold or donated our excess supply at reduced prices or no cost. If we are unable to sell such eggs upon commercially reasonable terms or at all, our gross margins, business, financial condition and operating results may be adversely affected.

We also sell pasture-raised shell eggs to consumers at a premium price point, and when prices for commodity shell eggs fall relative to the price of our pasture-raised shell eggs, price-sensitive consumers may choose to purchase commodity shell eggs offered by our competitors at a greater velocity than, or instead of, our pasture-raised eggs. As a result, low commodity shell egg prices may adversely affect our business, financial condition and results of operations.

We also sell a small percentage of our shell eggs to wholesalers and egg breaking plants at commodity shell egg prices, which fluctuate widely and are outside our control. Small increases in production, or small decreases in demand, can have a large adverse effect on the prices at which these eggs are sold.

### ***Sales of pasture-raised shell eggs contribute the vast majority of our net revenue, and a reduction in these sales would have an adverse effect on our financial condition.***

Pasture-raised shell eggs accounted for approximately 94% of our net revenue in fiscal 2017, 89% of our net revenue in fiscal 2018 and 90% of our net revenue in fiscal 2019. Pasture-raised shell eggs accounted for approximately 90% of our net revenue in the fiscal quarter ended March 31, 2019 and 91% of our net revenue in the fiscal quarter ended March 29, 2020. Pasture-raised shell eggs are our flagship product and have been the focal point of our sales and marketing efforts, and we believe that sales of pasture-raised shell eggs will continue to constitute a significant portion of our net revenue, net income and cash flow for the foreseeable future. We cannot be certain that we will be able to continue to expand sales, processing and distribution of pasture-raised shell eggs, or that consumer and customer demand for our other existing and future products will expand to allow such products to represent a larger percentage of our revenue than they do currently. Accordingly, any factor adversely affecting sales of our pasture-raised shell eggs could have an adverse effect on our business, financial condition and results of operations.

***Fluctuations in commodity prices and in the availability of feed grains could negatively impact our results of operations and financial condition.***

The price we pay to purchase shell eggs from farmers fluctuates based on pallet weight, and under our buy-sell contracts, which account for 98% of the laying hens in our network of family farms as of March 29, 2020, the price we pay is also indexed quarterly in arrears for changes in feed cost, which may cause our agreed-upon pricing under these contracts to fluctuate on a quarterly basis. Additionally, for our integrator contracts, which account for the remaining 2% of laying hens in our network, we are directly responsible for purchasing and providing feed supply to the farmer. Therefore, our results of operations and financial condition, including our gross margin and profitability, fluctuate based on the cost and supply of commodities, including corn, soybean meal and other feed ingredients. Although feed ingredients are available from a number of sources, we have little, if any, control over the prices of these ingredients, which are affected by weather, speculators, export restrictions, various supply and demand factors, transportation and storage costs, and agricultural and energy policies in the U.S. and internationally. For example, the severe drought in the summer of 2012 and resulting damage to corn and soybean crops resulted in high and volatile feed costs. We may not be able to increase our product prices enough or in a timely manner to sufficiently offset increased commodity costs due to consumer price sensitivity, or the pricing postures of our competitors and, in many cases, our retailers may not accept a price increase or may require price increases to occur after a specified period of time elapses. In addition, if we increase prices to offset higher costs, we could experience lower demand for our products and lower sales volumes. Over time, if we are unable to price our products to cover increased costs, unable to offset operating cost increases with continuous improvement savings or unsuccessful in any commodity-hedging program, then commodity price volatility or increases could adversely affect our business, financial condition and results of operations.

***If we fail to effectively expand our processing, manufacturing and production capacity as we continue to grow and scale our business, our business and operating results and our brand reputation could be harmed.***

While our current supply, processing and manufacturing capabilities are sufficient to meet our present business needs, we may in the future need to expand these capabilities as we continue to grow and scale our business. For example, we are in the process of expanding Egg Central Station, our shell egg processing facility, to increase our capacity for the distribution of pasture-raised shell eggs. However, there is risk in our ability to effectively scale production and processing and effectively manage our supply chain requirements. We must accurately forecast demand for our products in order to ensure we have adequate available processing and manufacturing capacity. Our forecasts are based on multiple assumptions which may cause our estimates to be inaccurate and affect our ability to obtain adequate processing and manufacturing capacities (whether our own processing and manufacturing capacities or co-processing and co-manufacturing capacities) in order to meet the demand for our products, which could prevent us from meeting increased customer demand. Our brand and our business could be harmed if we are unable to fulfill orders in a timely manner or at all. If we fail to meet demand for our products and, as a result, consumers who have previously purchased our products buy other brands or our retailers allocate shelf space to other brands, our business, financial condition and results of operations could be adversely affected.

On the other hand, if we overestimate our demand and overbuild our capacity, we may have significantly underutilized assets and may experience reduced margins. If we do not accurately align our processing and manufacturing capabilities with demand, our business, financial condition and results of operations could be adversely affected.

***We are currently expanding Egg Central Station, and we may not successfully complete construction of or commence operations in this expansion, or the expanded facility may not operate in accordance with our expectations.***

In January 2019, we commenced design of an expansion of Egg Central Station, our shell egg processing facility, in order to address our rapid growth and increase our shell egg processing capacity. Constructing and

opening this facility has required, and will continue to require, significant capital expenditures and the efforts and attention of our management and other personnel, which has and will continue to divert resources from our existing business or operations. In addition, we will need to hire and retain more skilled crew members to operate the expanded facility. Even if our expansion is brought up to full processing capacity, it may not provide us with all of the operational and financial benefits we expect to receive.

***If we fail to effectively maintain or expand our network of small family farms, our business, operating results and brand reputation could be harmed.***

We source our pasture-raised eggs and milk for our products from our network of small family farms, which is the foundation of our supply chain. If we are unable to maintain and expand this supply chain because of actions taken by farmers or other events outside of our control, we may be unable to timely supply distributors and customers with our products, which could lead to cancellation of purchase orders, damage to our commercial relationships and impairment of our brand. For example, we require these farmers to build and equip their farms to certain specifications, which requires a significant upfront capital investment, and any inability of farmers to obtain adequate financing on acceptable terms would impair their ability to partner with us. If our relationship with these farmers is disrupted, we may not be able to fully recover our investments in birds and feed, which would negatively impact our operating results. There are a number of factors that could impair our relationship with farmers, many of which are outside of our control. For example, while we strive to operate our business in a manner that drives long-term and sustainable benefits for our stakeholders, including farmers, we may make strategic decisions that the farmers do not believe align with their interests or values, which could cause the farmers to terminate their relationships with us. Additionally, our network of small family farms is in a geographic region we refer to as the Pasture Belt, which is located primarily in the Midwest, and the occurrence of a natural disaster in this region could have a significant negative impact on us, the farmers and our supply chain. Any failure to maintain or expand our network of small family farms would adversely affect our business, financial condition and results of operations.

***Our future business, results of operations and financial condition may be adversely affected by reduced or limited availability of pasture-raised eggs and milk and other raw materials that meet our standards.***

Our ability to ensure a continuing supply of pasture-raised eggs and milk and other raw materials for our products at competitive prices depends on many factors beyond our control. In particular, we rely on the farms that supply us with pasture-raised eggs and milk to implement controls and procedures to manage the risk of exposing animals to harmful diseases, but outbreaks may occur despite their efforts. An outbreak of disease could result in increased government restriction on the sale and distribution of our products, and negative publicity could impact customer and consumer perception of our products, even if an outbreak does not directly impact the animals from which we source our products. Additionally, the animals from which our products are sourced, and the pastures on which they are raised, are vulnerable to adverse weather conditions and natural disasters, such as floods, droughts, frosts, earthquakes, hurricanes and pestilence. Disease, adverse weather conditions and natural disasters can adversely impact pasture quantity and quality, leading to reduced egg and milk yields and quality, which in turn could reduce the available supply of, or increase the price of, our raw materials.

We also compete with other food companies in the procurement of pasture-raised eggs and milk, and this competition may increase in the future if consumer demand increases for these items or products containing them or if competitors increasingly offer products in these market sectors. If supplies of pasture-raised eggs and milk that meet our quality standards are reduced or are in greater demand, we may not be able to obtain sufficient supply to meet our needs on favorable terms, or at all. For example, as a result of the COVID-19 pandemic, there have been recent disruptions in the U.S. pasture-raised milk supply, including significant drops in prices and demand, which have resulted in the loss of suppliers. While we have worked with our co-manufacturers to mitigate these supply disruptions, and as a result there has been no impact on our ability to fill customer orders for our pasture-raised butter or ghee products, we expect that these supply disruptions will continue for the foreseeable future and that they may be further exacerbated by the ongoing effects of COVID-19, which could impact our ability to fill customer orders in the future.



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Our supply may also be affected by the number and size of farms that raise chickens and cows on pasture, changes in U.S. and global economic conditions, and our ability to forecast our raw materials requirements. For example, the farms must meet our standards and in order to meet these standards, we require them to invest in infrastructure at the outset of our relationship. The typical upfront investment for each of the farms is significant and many of the farmers seek financing assistance from local and regional banks as well as federal government loans from the USDA Farm Service Agency. Changes in U.S. and global economic conditions or any U.S. government shutdown (including in connection with COVID-19) could significantly decrease loans available to farmers. Many of these farmers also have alternative income opportunities and the relative financial performance of raising chickens and cows on pasture as compared to other potentially more profitable opportunities could affect their interest in working with us. Any of these factors could impact our ability to supply our products to distributors and customers and may adversely affect our business, financial condition and results of operations.

***We currently have a limited number of co-manufacturers. Loss of one or more of our co-manufacturers or our failure to timely identify and establish relationships with new co-manufacturers could harm our business and impede our growth.***

A significant amount of our revenue is derived from products manufactured at facilities owned and operated by our co-manufacturers. We currently rely on one co-manufacturer for hard-boiled eggs, one co-manufacturer for butter, one co-manufacturer for ghee and one co-manufacturer for liquid eggs. We do not currently have written manufacturing contracts with these co-manufacturers. Because of the absence of such contracts, any of our co-manufacturers could seek to alter or terminate its relationship with us at any time, leaving us with periods during which we have limited or no ability to manufacture our products.

An interruption in, or the loss of operations at, one or more of our co-manufacturing facilities, which may be caused by work stoppages, regulatory issues or noncompliance, disease outbreaks or pandemics (such as COVID-19), acts of war, terrorism, fire, earthquakes, flooding or other natural disasters, could delay, postpone or reduce production of some of our products, which could have an adverse effect on our business, financial condition and results of operations until such time as such interruption is resolved or an alternate source of production is secured, especially in times of low inventory.

We believe there are a limited number of competent, high-quality co-manufacturers in our industry that meet our geographical requirements and our strict quality and control standards, and should we seek to obtain additional or alternative co-manufacturing arrangements in the future, there can be no assurance that we would be able to do so on satisfactory terms, in a timely manner, or at all. Therefore, the loss of one or more co-manufacturers, any disruption or delay at a co-manufacturer or any failure to identify and engage co-manufacturers for new products and product extensions could delay, postpone or reduce production of our products, which could have an adverse effect on our business, financial condition and results of operations.

***We could be adversely affected by a change in consumer preferences, perception and spending habits in the natural food industry and on animal-based products, in particular, and failure to develop or enrich our product offering or gain market acceptance of our new products could have a negative effect on our business.***

We have positioned our brand to capitalize on growing consumer interest in natural, clean-label, traceable, ethically produced, great-tasting and nutritious foods. The market in which we operate is subject to changes in consumer preference, perception and spending habits. Our performance depends significantly on factors that may affect the level and pattern of consumer spending in the U.S. natural food industry market in which we operate. Such factors include consumer preference, consumer confidence, consumer income, consumer perception of the safety and quality of our products and shifts in the perceived value for our products relative to alternatives. Media coverage regarding the safety or quality of, or diet or health issues relating to, our products or the raw materials, ingredients or processes involved in their manufacturing may damage consumer confidence in our products. A general decline in the consumption of our products could occur at any time as a result of change in consumer preference, perception, confidence and spending habits, including an unwillingness to pay a premium

or an inability to purchase our products due to financial hardship or increased price sensitivity, which may be exacerbated by the effects of the COVID-19 pandemic. For example, we and many of our customers face pressure from animal rights groups to require all companies that supply food products to operate their business in a manner that treats animals in conformity with certain standards developed or approved by these animal rights groups. If consumer preferences shift away from animal-based products for these reasons, because of a preference for plant-based products or otherwise, our business, financial condition and results of operations could be adversely affected.

The success of our products depends on a number of factors including our ability to accurately anticipate changes in market demand and consumer preferences, our ability to differentiate the quality of our products from those of our competitors, and the effectiveness of our marketing and advertising campaigns for our products. We may not be successful in identifying trends in consumer preferences and developing products that respond to such trends in a timely manner. We also may not be able to effectively promote our products by our marketing and advertising campaigns and gain market acceptance. If our products fail to gain market acceptance, are restricted by regulatory requirements or have quality problems, we may not be able to fully recover costs and expenses incurred in our operation, and our business, financial condition or results of operations could be materially and adversely affected.

***We use a limited number of distributors for the substantial majority of our sales, and if we experience the loss of one or more distributors and cannot replace them in a timely manner, our results of operations may be adversely affected.***

To distribute our products, we use a broker-distributor-retailer network whereby brokers represent our products to distributors and retailers who in turn sell our products to consumers. We serve the majority of natural channel customers through food distributors, such as United Natural Foods, Inc., or UNFI, KeHE Distributors, LLC, or KeHE, and US Foods, Inc., or US Foods, which purchase, store, sell and deliver our products to retailers, including Whole Foods and Sprouts. In fiscal years 2017, 2018 and 2019, UNFI accounted for approximately 36%, 36% and 35% of our net revenue, respectively, and KeHE accounted for approximately 9%, 10% and 11% of our net revenue, respectively. In the fiscal quarters ended March 31, 2019 and March 29, 2020, UNFI accounted for approximately 37% and 33% of our net revenue, respectively, and KeHE accounted for approximately 12% and 11% of our net revenue, respectively. Since these distributors act as intermediaries between us and the retail grocers or foodservice providers, we do not have short-term or long-term commitments or minimum purchase volumes in our contracts with them that ensure future sales of our products. These distributors are able to decide on the products carried, and they may limit the products available for retailers, such as Whole Foods and Sprouts, to purchase. We expect that most of our sales will be made through a core number of distributors for the foreseeable future. If we lose one or more of our significant distributors and cannot replace the distributor in a timely manner or at all, our business, financial condition and results of operations could be adversely affected.

***We are dependent on hatcheries and pullet farms to supply our network of family farms with laying hens. Any disruption in that supply chain could materially and adversely affect our business, financial condition or results of operations.***

Under the terms of our contracts with our network of family farms, while we do not own laying hens, we are generally responsible for coordinating the acquisition and delivery of laying hens to the farmers. In order to meet these obligations, we place orders for chicks directly with hatcheries intended to supply a future year's production of eggs at least a year in advance. Once the chicks are hatched, they are delivered to a network of pullet farms, who rear the chicks to approximately 16 to 18 weeks of age, at which time they begin laying eggs. The hens are then delivered directly from the pullet farms to our network of family farms, which then place the hens into egg production.

Because it would be inefficient to contract directly with pullet farms to rear the quantity of chicks that we require, we currently work with a sole source supplier that contracts with a network of independent pullet farms.

We do not have a long-term supply contract with this third party, and if this supplier were to cease doing business with us for any reason, we may have a difficult time finding and contracting with alternate pullet farms in sufficient scale to meet our needs, if at all. Additionally, any disruption in these supply services for any reason, including bird disease, natural disaster, fire, power interruption, work stoppage or other calamity, could have a material adverse effect on our business, financial condition and results of operations if we cannot replace these providers in a timely manner on acceptable terms or at all.

***Consolidation of retail customers or the loss of a significant retail customer could negatively impact our sales and profitability.***

Our retail customers include natural channel and mainstream channel stores, which have been undergoing a consolidation in recent years. This consolidation has produced larger, more sophisticated organizations with increased negotiating and buying power that are able to resist price increases, as well as operate with lower inventories, decrease the number of brands that they carry and increase their emphasis on private label products, all of which could negatively impact our business. In fiscal years 2017, 2018 and 2019, Kroger accounted for approximately 15%, 14% and 14% of our net revenue, respectively. In the fiscal quarters ended March 31, 2019 and March 29, 2020, Kroger accounted for approximately 12% and 14% of our net revenue, respectively. With certain of our retail customers, like Whole Foods and Sprouts, we sell our products through distributors. We are not able to precisely attribute our net revenue to a specific retailer for products sold through distributors. We rely on third-party data to calculate the portion of retail sales attributable to retailers, but this data is inherently imprecise because it is based on gross sales generated by our products sold at retailers, without accounting for price concessions, promotional activities or chargebacks, and because it measures retail sales for only the portion of our retailers serviced through distributors. Based on this third-party data and internal analysis, Whole Foods accounted for approximately 37%, 33% and 31% of our retail sales in fiscal years 2017, 2018 and 2019, respectively, and Sprouts accounted for approximately 7%, 9% and 8% of our retail sales in fiscal years 2017, 2018 and 2019, respectively. Based on this third-party data and internal analysis, Whole Foods accounted for approximately 33% and 32% of our retail sales for the fiscal quarters ended March 31, 2019 and March 29, 2020, respectively, and Sprouts accounted for approximately 9% and 7% of our retail sales for the fiscal quarters ended March 31, 2019 and March 29, 2020, respectively. The loss of Kroger, Whole Foods, Sprouts or any other large retail customer, the reduction of purchasing levels or the cancellation of any business from Kroger, Whole Foods, Sprouts or any other large retail customer for an extended length of time could negatively impact our sales and profitability.

A retailer may take actions that affect us for reasons that we cannot always anticipate or control, such as their financial condition, changes in their business strategy or operations, the introduction of competing products or the perceived quality of our products. Despite operating in different channel segments, our retailers sometimes compete for the same consumers. Because of actual or perceived conflicts resulting from this competition, retailers may take actions that negatively affect us. Consequently, our financial results may fluctuate significantly from period to period based on the actions of one or more significant retailers.

***Failure by our transportation providers to pick up raw materials or deliver our products on time, in compliance with applicable governmental regulations or at all, could result in lost sales.***

We currently rely upon third-party transportation providers for a significant portion of our raw material transportation and product shipments. Our utilization of pickup and delivery services for shipments is subject to risks, including increases in fuel prices, which would increase our shipping costs, chronic driver shortages, employee strikes or unavailability (including due to COVID-19), inclement weather and noncompliance by our third-party transportation providers with applicable regulatory requirements, which may impact the ability of providers to provide delivery services that adequately meet our shipping needs. We may change shipping companies, and we could face logistical difficulties with any such change that could adversely affect deliveries. In addition, we could incur costs and expend resources in connection with such change. Moreover, we may not be able to obtain terms as favorable as those we receive from the third-party transportation providers that we currently use, which in turn would increase our costs and thereby adversely affect our operating results.

***We source substantially all of our shell egg cartons from a sole source supplier and any disruptions may impact our ability to sell our eggs.***

We obtain substantially all of the packaging for our shell eggs from a sole-source supplier. We do not have guaranteed supply contracts with our supplier, and our supplier could delay shipments, increase prices or cease manufacturing of our shell egg cartons or selling them to us at any time. A disruption in the supply of our shell egg cartons could delay our production and hinder our ability to meet our commitments to customers. If we are unable to obtain a sufficient quantity of our packaging on commercially reasonable terms or in a timely manner, or if we are unable to obtain alternative sources, sales of our products could be delayed or we may be required to redesign our products. For example, in connection with increased demand for shell eggs in relation to the COVID-19 pandemic, the supplier of substantially all of our shell egg cartons began to prioritize packaging for core egg products (such as 12-count packages), and we separately experienced certain quality issues with our 18-count egg cartons. As a result of these events, and in order to otherwise meet demand for our products, we began using recycled plastic packaging for a small number of our shell egg products. While this change in packaging did not materially impact our operations, there is no guarantee that we will not experience similar packaging issues in the future, or that any such packaging issues will not impact our ability to meet product demand for our shell eggs. Any of these events could result in lost sales, reduced gross margins or damage to our customer relationships, which would have a material adverse effect on our business, financial condition and results of operations.

***Because we rely on a limited number of third-party vendors to manufacture and store our products, we may not be able to maintain manufacturing and storage capacity at the times and with the capacities necessary to produce and store our products or meet the demand for our products.***

We rely on a limited number of co-manufacturers and cold storage providers. We currently rely on one co-manufacturer for hard-boiled eggs, one co-manufacturer for butter, one co-manufacturer for ghee and one co-manufacturer for liquid eggs. Our financial performance depends in large part on our ability to obtain adequate co-manufacturing and cold storage facilities services in a timely manner. We are not assured of continued co-manufacturing and cold storage capacities. Certain of our co-manufacturers or our cold storage providers could discontinue or seek to alter their relationship with us. In addition, we are not assured of sufficient capacities of these providers commensurate with increased product demand. Any disruption in the supply of our final products from these providers would have an adverse effect on our business if we cannot replace these providers in a timely manner or at all. For example, in December 2019, our co-manufacturer for hard-boiled eggs conducted a voluntary Class I recall of all hard-boiled eggs produced at its facility, including ours, due to a potential listeria contamination at the production facility. In connection with the recall, our co-manufacturer elected to permanently close the affected production facility and move all production to a different facility, which did not have sufficient capacity to meet product demand. As a result we were unable to supply customers with hard-boiled eggs for a period of time in the first quarter of fiscal 2020, which led to the loss of certain customer accounts for this product, the revenues from which were immaterial in the aggregate. Our co-manufacturer is currently able to meet our product demand for hard-boiled eggs due to the effects of COVID-19 on the foodservice industry. However, we may experience supply issues once the foodservice industry returns to full capacity, which may lead to additional loss of customers.

***We may not be able to compete successfully in our highly competitive market.***

We operate in a highly competitive environment across each of our product categories. We have numerous competitors of varying sizes, including producers of private-label products, as well as producers of other branded egg and butter products that compete for trade merchandising support and consumer dollars. Numerous brands and products compete for limited retailer shelf space, including in the refrigerated section, foodservice, and customers and consumers. In our market, competition is based on, among other things, product quality and taste, brand recognition and loyalty, product variety, product packaging and package design, shelf space, reputation, price, advertising, promotion and nutritional claims.

We compete with large egg companies such as Cal-Maine, Inc. and large international food companies such as Ornuu (Kerrygold). We also compete directly with local and regional egg companies, as well as private-label specialty egg products processed by other egg companies. Each of these competitors may have substantially greater financial and other resources

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than us and some of whose products are well accepted in the marketplace today. They may also have lower operational costs, and as a result may be able to offer comparable or substitute products to customers at lower costs. This could put pressure on us to lower our prices, resulting in lower profitability or, in the alternative, cause us to lose market share if we fail to lower prices.

Generally, the food industry is dominated by multinational corporations with substantially greater resources and operations than us. We cannot be certain that we will successfully compete with larger competitors that have greater financial, sales and technical resources. Conventional food companies may acquire our competitors or launch their own egg and butter products, including ones that may be pasture-raised, and they may be able to use their resources and scale to respond to competitive pressures and changes in consumer preferences by introducing new products, reducing prices or increasing promotional activities, among other things. Retailers also market competitive products under their own private labels, which are generally sold at lower prices, and may change the merchandising of our products so they have less favorable placement. Competitive pressures or other factors could cause us to lose market share, which may require us to lower prices, increase marketing and advertising expenditures, or increase the use of discounting or promotional campaigns, each of which would adversely affect our margins and could result in a decrease in our operating results and profitability.

Further, competitors with substantially greater operations and resources than us may be less affected by the COVID-19 pandemic than we are. In connection with the pandemic, we have restricted employee travel, cancelled certain events with consumers, customers or partners, imposed operational safeguards at Egg Central Station and limited access to our headquarters. Although we are monitoring the situation, we cannot predict for how long, or the ultimate extent to which, the pandemic may disrupt our operations as a result of these measures or if we are required to implement other changes, such as closure of our egg processing facility. Any significant disruption resulting from this or similar events on a large scale or over a prolonged period of time could cause significant delays and disruption to our business until we would be able to resume normal business operations or shift to other third-party vendors, negatively affecting our revenue and other financial results. A prolonged disruption of our business could also damage our reputation.

In addition, our ability to compete successfully in our market depends, in large part, on our ability to implement our growth strategy of expanding supply and distribution, improving placement of our products, attracting new consumers to our brand and introducing new products and product extensions. Our ability to implement this growth strategy depends, among other things, on our ability to:

- manage relationships with various suppliers, co-manufacturers, distributors, customers and other third parties, and expend time and effort to integrate new suppliers, co-manufacturers and customers into our fulfillment operations;
- secure placement in stores for our products;
- increase our brand recognition;
- expand and maintain brand loyalty; and
- develop new product lines and extensions.

We may not be able to implement our growth strategy successfully. Our sales and operating results will be adversely affected if we fail to implement our growth strategy or if we invest resources in a growth strategy that ultimately proves unsuccessful.

### ***A U.S. federal government shutdown could have a material adverse impact on our results of operations and financial condition.***

The partial shutdown of the U.S. federal government that began in late 2018 and continued into 2019 adversely impacted many of our family farmers' ability to access capital, as these farmers receive funding through farm loan programs of the USDA Farm Service Agency. The partial shutdown also impacted our ability



to receive governmental approvals for products and labeling of new products. Another U.S. federal government shutdown of similar or greater duration could similarly impact our business, which could have a material adverse effect on our results of operations and financial condition.

***We have only recently expanded our product offerings beyond pasture-raised eggs, which makes it difficult to forecast our future results of operations.***

We have only recently expanded our product offerings beyond pasture-raised eggs. As a result of our limited experience managing multiple product lines, our ability to accurately forecast our future results of operations is limited and subject to a number of uncertainties, including our ability to plan for and model future growth. Our historical revenue growth should not be considered indicative of our future performance. Further, in future periods, our revenue growth could slow or our revenue could decline for a number of reasons, including slowing demand for our products, increasing competition, a decrease in the growth of our overall market, or our failure, for any reason, to continue to take advantage of growth opportunities. If our assumptions regarding these risks and uncertainties and our future revenue growth are incorrect or change, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations, and our business could suffer.

***Failure to introduce new products may adversely affect our ability to continue to grow.***

A key element of our growth strategy depends on our ability to develop and market new products that meet our standards for quality and appeal to consumer preferences. The success of our innovation and product development efforts is affected by our ability to anticipate changes in consumer preferences, the technical capability of our innovation staff in developing and testing product prototypes, our ability to comply with applicable governmental regulations, and the success of our management and sales and marketing teams in introducing and marketing new products. There can be no assurance that we will successfully develop and market new products that appeal to consumers. For example, while we anticipated launching egg bites in August 2020, we are still working through the packaging of this new product line, which we anticipate will impact our product launch timeline. To the extent the product launch slips or we elect not to launch egg bites at all, we may lose stores that have committed to distribution in 2020. Any such failure may lead to a decrease in our growth, sales and profitability.

Additionally, the development and introduction of new products requires substantial marketing expenditures, which we may be unable to recoup if the new products do not gain widespread market acceptance. If we are unsuccessful in meeting our objectives with respect to new or improved products, our business could be harmed.

***Our brand and reputation may be diminished due to real or perceived quality or food safety issues with our products, which could have an adverse effect on our business, reputation, operating results and financial condition.***

We believe our consumers rely on us to provide them with high-quality pasture-raised products. Therefore, real or perceived quality or food safety concerns or failures to comply with applicable food regulations and requirements, whether or not ultimately based on fact and whether or not involving us (such as incidents involving our competitors), could cause negative publicity and reduced confidence in our company, brand or products, which could in turn harm our reputation and sales, and could adversely affect our business, financial condition and operating results.

Our products may be subject to contamination by foreign materials or disease-producing organisms or pathogens, such as salmonella and E. coli. These organisms and pathogens are found generally in the environment and there is a risk that one or more could be present in our products, either as a result of food processing or as an inherent risk based on the nature of our products. These organisms and pathogens also can be introduced to our products as a result of improper handling at the further-processing, foodservice or consumer level. These risks may be controlled, but may not be eliminated, by adherence to good manufacturing practices and finished product testing. Shipment of contaminated products, even if inadvertent, could result in a violation of law and lead to increased risk of exposure to product liability claims, product recalls and increased scrutiny by federal and state regulatory agencies, penalties and adverse publicity. In addition, products purchased from other

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producers, including co-manufacturers, could contain contaminants that we might inadvertently redistribute. If our products become contaminated, or if there is a potential health risk associated with our products, we or our co-manufacturers might decide or need to recall a product. Any product recall could result in a loss of consumer confidence in our products and adversely affect our reputation with existing and potential customers. For example, in December 2019, our co-manufacturer for hard-boiled eggs conducted a voluntary Class I recall of all hard-boiled eggs produced at its facility, including ours, due to potential listeria contamination at the production facility. In connection with the recall, our co-manufacturer elected to permanently close the affected production facility and move all production to a different facility, and as a result we were unable to supply customers with hard-boiled eggs for a period of time in the first quarter of fiscal 2020, which led to the loss of certain customer accounts for this product, the revenues from which were immaterial in the aggregate.

We also have no control over our products once purchased by consumers. For example, consumers may store our products under conditions and for periods of time inconsistent with USDA, U.S. Food and Drug Administration, or FDA, and other governmental guidelines, which may adversely affect the quality and safety of our products.

If consumers do not perceive our products to be of high quality or safe, then the value of our brand would be diminished, and our business, results of operations and financial condition would be adversely affected. Any loss of confidence on the part of consumers in the quality and safety of our products would be difficult and costly to overcome. Any such adverse effect could be exacerbated by our market positioning as a socially conscious purveyor of high-quality, pasture-raised products and may significantly reduce our brand value. Issues regarding the safety of any of our products, regardless of the cause, may have an adverse effect on our brand, reputation and operating results. Further, the growing use of social and digital media by us, our consumers and third parties increases the speed and extent that information or misinformation and opinions can be shared. Negative publicity about us, our brands or our products on social or digital media could seriously damage our brands and reputation. If we do not maintain the favorable perception of our brands, our business, financial condition and results of operations could be adversely affected.

### ***All of our pasture-raised shell eggs are processed at Egg Central Station in Springfield, Missouri. Any damage or disruption at this facility may harm our business.***

All of our pasture-raised shell egg processing occurs at our facility in Springfield, Missouri. Any shutdown or period of reduced production at Egg Central Station, our shell egg processing facility, which may be caused by regulatory noncompliance or other issues, as well as other factors beyond our control, such as natural disaster, fire, power interruption, work stoppage, disease outbreaks or pandemics (such as COVID-19), equipment failure or delay in raw materials delivery, would significantly disrupt our ability to deliver our products in a timely manner, meet our contractual obligations and operate our business. Further, the processing equipment used for our pasture-raised shell eggs is costly to replace or repair, particularly because certain of our processing equipment is sourced internationally, and our equipment supply chains may be disrupted in connection with pandemics, such as COVID-19, trade wars or other factors. If any material amount of our machinery were damaged, we would be unable to predict when, if at all, we could replace or repair such machinery or find co-manufacturers with suitable alternative machinery, which could adversely affect our business, financial condition and operating results. We have property and business disruption insurance in place for Egg Central Station; however, such insurance coverage may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all.

### ***Failure to leverage our brand value propositions to compete against private label products, especially during economic downturn, may adversely affect our profitability.***

In many product categories, we compete not only with other widely advertised branded products, but also with private label products that generally are sold at lower prices. Consumers are more likely to purchase our products if they believe that our products provide a higher quality and greater value than less expensive

alternatives. If the difference in perceived value between our brands and private label products narrows, or if there is a perception of such a narrowing, consumers may choose not to buy our products at prices that are profitable for us. We believe that in periods of economic uncertainty, such as the current economic uncertainty surrounding COVID-19, consumers may purchase more lower-priced private label or other economy brands. To the extent this occurs, we could experience a reduction in the sales volume of our higher margin products or a shift in our product mix to lower margin offerings. In addition, our foodservice product sales will be reduced if consumers reduce the amount of food that they consume away from home at our foodservice customers, whether as a result of restaurant closures or government-ordered quarantines, travel restrictions or other social distancing directives in connection with the COVID-19 pandemic, or in other times of economic uncertainty.

***We must expend resources to maintain consumer awareness of our brands, build brand loyalty and generate interest in our products. Our marketing strategies and channels will evolve and our programs may or may not be successful.***

In order to remain competitive and expand and keep shelf placement for our products, we may need to increase our marketing and advertising spending to maintain and increase consumer awareness, protect and grow our existing market share or promote new products, which could impact our operating results. Substantial advertising and promotional expenditures may be required to maintain or improve our brand's market position or to introduce new products to the market, and participants in our industry are increasingly engaging with non-traditional media, including consumer outreach through social media and web-based channels, which may not prove successful. An increase in our marketing and advertising efforts may not maintain our current reputation or lead to increased brand awareness. Further, social media platforms frequently change the algorithms that determine the ranking and display of results of a user's search and may make other changes to the way results are displayed, or may increase the costs of such advertising, which can negatively affect the placement of our links and, therefore, reduce the number of visits to our website and social media channels or make such marketing cost-prohibitive. In addition, social media platforms typically require compliance with their policies and procedures, which may be subject to change or new interpretation with limited ability to negotiate, which could negatively impact our marketing capabilities. If we are unable to maintain and promote a favorable perception of our brand and products on a cost-effective basis, our business, financial condition and results of operations could be adversely affected.

***If we fail to develop and maintain our brand, our business could suffer.***

We have developed a strong and trusted brand that has contributed significantly to the success of our business, and we believe our continued success depends on our ability to maintain and grow the value of the Vital Farms brand. Maintaining, promoting and positioning our brand and reputation will depend on, among other factors, the success of our product offerings, food safety, quality assurance, marketing and merchandising efforts, our continued focus on animal welfare, the environment and sustainability and our ability to provide a consistent, high-quality consumer and customer experience. Any negative publicity, regardless of its accuracy, could have an adverse effect on our business. Brand value is based on perceptions of subjective qualities, and any incident that erodes the loyalty of our consumers, customers, suppliers or co-manufacturers, including changes to our products or packaging, adverse publicity or a governmental investigation, litigation or regulatory enforcement action, could significantly reduce the value of our brand and significantly damage our business.

***If we fail to cost-effectively acquire new consumers or retain our existing consumers, our business could be adversely affected.***

Our success, and our ability to increase revenue and operate profitably, depends in part on our ability to cost-effectively acquire new consumers, retain existing consumers and keep existing consumers engaged so that they continue to purchase our products. While we intend to continue to invest significantly in sales and marketing to educate consumers about our brand, our values and our products, there is no assurance that these efforts will generate further demand for our products or expand our consumer base. Our ability to attract new consumers and

retain our existing consumers will depend on the perceived value and quality of our products, consumers' desire to purchase ethically produced products at a premium, offerings of our competitors, our ability to offer new and relevant products and the effectiveness of our marketing efforts, among other items. For example, because our pasture-raised shell eggs are sold to consumers at a premium price point, when prices for commodity shell eggs fall relative to the price of our pasture-raised shell eggs, we may be unable to entice price-sensitive consumers to try our products. We may also lose loyal consumers to our competitors if we are unable to meet consumer demand in a timely manner. If we are unable to cost-effectively acquire new consumers, retain existing consumers and keep existing consumers engaged, our business, financial condition and operating results would be adversely affected.

***Our sales and profits are dependent upon our ability to expand existing customer relationships and acquire new customers.***

Our business depends on our ability to increase our household penetration, to expand the number of products sold through existing retail customers, to grow within the foodservice channel and to strengthen our product offerings through innovation in both new and existing categories. Any strategies we employ to pursue this growth are subject to numerous factors outside of our control. For example, retailers continue to aggressively market their private label products, which could reduce demand for our products. The expansion of our business also depends on our ability to obtain customers in additional distribution channels, such as convenience, drugstore, club, military and international markets. Any growth in distribution channels may also affect our existing customer relationships and present additional challenges, including related to pricing strategies. Additionally, we may need to increase or reallocate spending on marketing and promotional activities, such as rebates, temporary price reductions, off-invoice discounts, retailer advertisements, product coupons and other trade activities, and these expenditures are subject to risks, including related to consumer acceptance of our efforts. Our failure to obtain new customers, or expand our business with existing customers, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***We may require additional financing to achieve our goals, and a failure to obtain this necessary capital when needed on acceptable terms, or at all, may force us to delay, limit, reduce or terminate our product manufacturing and development, and other operations.***

We have funded our operations since inception primarily through equity financings and sales of our products. We expect to expend significant resources expanding Egg Central Station. We believe that we will continue to expend substantial resources for the foreseeable future as we expand into additional markets we may choose to pursue. These expenditures are expected to include working capital, costs associated with research and development, manufacturing and supply, as well as marketing and selling existing and new products. In addition, other unanticipated costs may arise.

After giving effect to the anticipated net proceeds from this offering, we expect that our existing cash will be sufficient to fund our planned operating expenses, capital expenditure requirements and debt service payments through at least the next 12 months. However, our operating plan may change because of factors currently unknown to us, and we may need to seek additional funds sooner than planned, through public or private equity or debt financings or other sources, such as strategic collaborations. Such financings may result in dilution to stockholders, imposition of debt covenants and repayment obligations, or other restrictions that may adversely affect our business. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans.

***Demand for shell eggs is subject to seasonal fluctuations and can adversely impact our results of operations in certain quarters.***

Demand for shell eggs fluctuates in response to seasonal factors. Shell egg demand tends to increase with the start of the school year and is highest prior to holiday periods, particularly Thanksgiving, Christmas and

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Easter, and the lowest during the summer months. As a result of these seasonal and quarterly fluctuations, comparisons of our sales and operating results between different quarters within a single fiscal year are not necessarily meaningful comparisons. If we are not correct in predicting our future shell egg demand, we may experience a supply and demand shell egg imbalance. This imbalance between supply and demand can adversely impact our results of operations at certain times of the year.

***Packaging costs are volatile and may rise significantly, which may negatively impact our profitability, and any reduced availability of packaging supplies may otherwise impact our business.***

We and our co-manufacturers purchase and use significant quantities of cardboard, glass, corrugated fiberboard, kraft paper, flexible plastic, flexible film and paperboard to package our products. Costs of packaging are volatile and can fluctuate due to conditions that are difficult to predict, including global competition for resources, weather conditions, consumer demand and changes in governmental trade. Volatility in the prices of supplies we and our co-manufacturers purchase could increase our cost of sales and reduce our profitability. Moreover, we may not be able to implement price increases for our products to cover any increased costs, and any price increases we do implement may result in lower sales volumes. Additionally, if the availability of certain packaging supplies is limited due to factors beyond our control (including as a result of the COVID-19 pandemic), or if packaging supplies do not meet our standards, we may make changes to our product packaging, which could negatively impact the perception of our brand. For example, in connection with increased demand for shell eggs in relation to the COVID-19 pandemic, the supplier of substantially all of our shell egg cartons began to prioritize packaging for core egg products (such as 12-count packages), and we separately experienced certain quality issues with our 18-count egg cartons. As a result of these events, and in order to otherwise meet demand for our products, we began using recycled plastic packaging for a small number of our shell egg products. If we are not successful in managing our packaging costs or the supply of packaging that meets our standards to use for our products, if we are unable to increase our prices to cover increased costs or if such price increases reduce our sales volumes, any of these factors could adversely affect our business, financial condition and results of operations.

***Our net revenue and earnings may fluctuate as a result of price concessions, promotional activities and chargebacks.***

Retailers may require price concessions that would negatively impact our margins and our profitability. If we are not able to lower our cost structure adequately in response to customer pricing demands, and if we are not able to attract and retain a profitable customer mix and a profitable product mix, our profitability could continue to be adversely affected.

In addition, we periodically offer sales incentives through various programs to customers and consumers, including rebates, temporary price reductions, off-invoice discounts, retailer advertisements, product coupons and other trade activities. We also periodically provide chargebacks to our customers, which include credits or discounts to customers in the event that products do not conform to customer specifications or expire at a customer's site. The cost associated with promotions and chargebacks is estimated and recorded as a reduction in net revenue. We anticipate that these price concessions and promotional activities could adversely impact our net revenue and that changes in such activities could adversely impact period-over-period results. If we are not correct in predicting the performance of such promotions, or if we are not correct in estimating chargebacks, our business, financial condition and results of operations would be adversely affected.

***The estimates of market opportunity and forecasts of market growth included in this prospectus may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.***

Market opportunity estimates and growth forecasts included in this prospectus, including those we have generated ourselves, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate, particularly in light of the ongoing COVID-19 pandemic and the related economic

impact. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of customers covered by our market opportunity estimates will purchase our products at all or generate any particular level of revenue for us. Any expansion in our market depends on a number of factors, including the cost and perceived value associated with our product and those of our competitors. Even if the market in which we compete meets the size estimates and growth forecast in this prospectus, our business could fail to grow at the rate we anticipate, if at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties. Accordingly, the forecasts of market growth included in this prospectus should not be taken as indicative of our future growth.

***If we fail to retain and motivate members of our management team or other key crew members, or fail to attract, train and retain additional qualified crew members to support our operations, our business and future growth prospects would be harmed.***

Our success and future growth depend largely upon the continued services of our executive officers as well as our other key crew members. These executives and key crew members have been primarily responsible for determining the strategic direction of our business and for executing our growth strategy and are integral to our brand, culture and the reputation we enjoy with suppliers, co-manufacturers, distributors, customers and consumers. From time to time, there may be changes in our executive management team or other key crew members resulting from the hiring or departure of these personnel. The loss of one or more of our executive officers, or the failure by our executive team to effectively work with our crew members and lead our company, could harm our business.

In addition, our success depends in part upon our ability to attract, train and retain a sufficient number of crew members who understand and appreciate our culture and can represent our brand effectively and establish credibility with our business partners and consumers. If we are unable to hire and retain crew members capable of meeting our business needs and expectations, our business and brand image may be impaired. For example, in Springfield, Missouri, where Egg Central Station is located, there is a tight labor market. As a result of this tight labor market, we may be unable to attract and retain crew members with the skills we require. Any failure to meet our staffing needs or any material increase in turnover rates of our crew members may adversely affect our business, financial condition and results of operations.

***If we cannot maintain our company culture or focus on our purpose as we grow, our success and our business and competitive position may be harmed.***

We believe our culture and our purpose have been key contributors to our success to date and that the critical nature of the platform that we provide promotes a sense of greater purpose and fulfillment in our crew members. Any failure to preserve our culture or focus on our purpose could negatively affect our ability to retain and recruit personnel, which is critical to our growth, and to effectively focus on and pursue our corporate objectives. As we grow and develop the infrastructure of a public company, we may find it difficult to maintain these important values. If we fail to maintain our company culture or focus on our purpose our business and competitive position may be harmed.

***We rely on information technology systems and any inadequacy, failure, interruption or security breaches of those systems may harm our ability to effectively operate our business.***

We are dependent on various information technology systems, including, but not limited to, networks, applications and outsourced services in connection with the operation of our business. A failure of our information technology systems to perform as we anticipate could disrupt our business and result in transaction errors, processing inefficiencies and loss of sales, causing our business to suffer. In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, systems failures, viruses and security breaches. Any such damage or interruption could have an adverse effect on our business.



***A cybersecurity incident or other technology disruptions could negatively impact our business and our relationships with customers.***

We use computers in substantially all aspects of our business operations. We also use mobile devices, social networking and other online activities to connect with our crew members, suppliers, co-manufacturers, distributors, customers and consumers. Such uses give rise to cybersecurity risks, including security breaches, espionage, system disruption, theft and inadvertent release of information. Cybersecurity incidents are increasing in their frequency, sophistication and intensity, with third-party phishing and social engineering attacks in particular increasing in connection with the COVID-19 pandemic. Our business involves sensitive information and intellectual property, including customers', distributors' and suppliers' information, private information about crew members and financial and strategic information about us and our business partners. Further, as we pursue new initiatives that improve our operations and cost structure, we also intend to expand and improve our information technologies, resulting in a larger technological presence and corresponding exposure to cybersecurity risk. If we fail to assess and identify cybersecurity risks associated with new initiatives, we may become increasingly vulnerable to such risks. Additionally, while we have implemented measures to prevent security breaches and cyber incidents, our preventative measures and incident response efforts may not be entirely effective. The theft, destruction, loss, misappropriation or release of sensitive information or intellectual property, or interference with our information technology systems or the technology systems of third parties on which we rely, could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of customers and distributors, potential liability and competitive disadvantage all of which could have an adverse effect on our business, financial condition or results of operations.

***Our operations are geographically consolidated. A major tornado or other natural disaster within the region in which we operate could seriously disrupt our entire business.***

Egg Central Station, our shell egg processing facility is located in Springfield, Missouri. This facility and our network of small family farms are all located in the geographic region we refer to as the Pasture Belt, which is located primarily in the Midwest. The pasture-raised milk for our butter is sourced from, and the butter is manufactured near, a geographically concentrated network of more than 50 farms, the majority of which are in the Midwest. The impact of natural disasters such as tornadoes, drought or flood within these areas is difficult to predict, but such a natural disaster could seriously disrupt our entire business. Our insurance may not adequately cover our losses and expenses in the event of such a natural disaster. As a result, natural disasters within these areas could lead to substantial losses.

***Climate change may negatively affect our business and operations.***

Our network of small family farms are all geographically located in a region that provides an environment conducive to year round pasture raising chickens and cows. In addition, the concentration of these farms allows for efficient transportation of pasture-raised eggs to Egg Central Station and of pasture-raised milk to our butter and ghee co-manufacturing facilities. However, there is concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. If such climate change has a negative effect on the year-round habitability of the region for chickens and cows, we may be subject to decreased availability or less favorable pricing for pasture-raised eggs and milk. Even if eggs and milk are available from other regions, they may not be pasture-raised due to certain regional weather conditions not being conducive to pasture raising. We may also incur increased transportation, storage and processing costs if we are unable to source pasture-raised eggs and milk within a certain distance from Egg Central Station and co-manufacturing facilities.

***Disruptions in the worldwide economy may adversely affect our business, results of operations and financial condition.***

Adverse and uncertain economic conditions may impact distributor, retailer, foodservice and consumer demand for our products. In addition, our ability to manage normal commercial relationships with our suppliers,

co-manufacturers, distributors, retailers, foodservice consumers and creditors may suffer. Consumers may shift purchases to lower-priced or other perceived value offerings during economic downturns. In particular, consumers may reduce the amount of pasture-raised products that they purchase where there are more affordable products, including caged, cage-free and free-range egg and egg product offerings, which generally have lower retail prices than our pasture-raised eggs. In addition, consumers may choose to purchase private label products rather than branded products because they are generally less expensive. Further, our foodservice product sales will be reduced if consumers reduce the amount of food they consume away from home at our foodservice customers, whether as a result of restaurant closures or government-ordered quarantines, travel restrictions and other social distancing directives in connection with the COVID-19 pandemic, or in other times of economic uncertainty. Distributors and customers may become more conservative in response to these conditions and seek to reduce their inventories. Our results of operations depend upon, among other things, our ability to maintain and increase sales volume with our existing distributors, retailer and foodservice customers, our ability to attract new consumers, the financial condition of our consumers and our ability to provide products that appeal to consumers at the right price. Prolonged unfavorable economic conditions may have an adverse effect on our sales and profitability.

***We may be subject to significant liability that is not covered by insurance.***

Although we believe that the extent of our insurance coverage is consistent with industry practice, any claim under our insurance policies may be subject to certain exceptions, may not be honored fully, in a timely manner, or at all, and we may not have purchased sufficient insurance to cover all losses incurred. If we were to incur substantial liabilities or if our business operations were interrupted for a substantial period of time, we could incur costs and suffer losses. Such inventory and business interruption losses may not be covered by our insurance policies. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified people to serve on our board of directors, our board committees or as executive officers. We do not know, however, if we will be able to maintain existing insurance with adequate levels of coverage. Any significant uninsured liability may require us to pay substantial amounts, which would adversely affect our cash position and results of operations. Additionally, in the future, insurance coverage may not be available to us at commercially acceptable premiums, or at all.

***Our inability to maintain our GFSI and SQF Select Site certifications may negatively affect our reputation.***

The SQFI administers the SQF Program, which is a third-party auditing program that examines and certifies food producers with respect to certain aspects of the producer's business, including food safety, quality control and social, environmental and occupational health and safety management systems. The SQF Select Site certification is one of a number of available SQF certifications and involves both auditing for food safety issues and unannounced inspections by SQF personnel on an annual basis.

The Global Food Safety Initiative, or GFSI, is a private organization established and managed by an international trade association, The Consumer Goods Forum. GFSI operates a benchmarking scheme whereby certification bodies, such as the SQF Program, are "recognized" as meeting certain criteria maintained by GFSI. GFSI itself does not certify or accredit entities in the food industry.

SQF Select Site certification and the GFSI recognition of the SQF Program do not themselves have any independent legal significance and do not necessarily signal regulatory compliance. As a practice matter, however, certain retailers, including some of our largest customers, require SQF certification or certification by another GFSI-recognized program as a condition for doing business. Loss of SQF Select Site certification could impair our ability to do business with these customers, which could materially and adversely affect our business, financial condition and operating results.

***The loss of any registered trademark or other intellectual property could enable other companies to compete more effectively with us.***

We utilize intellectual property in our business. Our trademarks are valuable assets that reinforce our brand and consumers' favorable perception of our products. We have invested a significant amount of money in establishing and promoting our trademarked brands. We also rely on unpatented proprietary expertise and copyright protection to develop and maintain our competitive position. Our continued success depends, to a significant degree, upon our ability to protect and preserve our intellectual property, including our trademarks and copyrights.

We rely on confidentiality agreements and trademark and copyright law to protect our intellectual property rights. Our confidentiality agreements with our crew members and certain of our consultants, contract employees, suppliers and independent contractors, including some of our co-manufacturers who use our formulations to manufacture our products, generally require that all information made known to them be kept strictly confidential. Further, some of our formulations have been developed by or with our suppliers and co-manufacturers. As a result, we may not be able to prevent others from using similar formulations.

We cannot assure you that the steps we have taken to protect our intellectual property rights are adequate, that our intellectual property rights can be successfully defended and asserted in the future or that third parties will not infringe upon or misappropriate any such rights. In addition, our trademark rights and related registrations may be challenged in the future and could be canceled or narrowed. Failure to protect our trademark rights could prevent us in the future from challenging third parties who use names and logos similar to our trademarks, which may in turn cause consumer confusion or negatively affect consumers' perception of our brand and products. Moreover, intellectual property disputes and proceedings and infringement claims may result in a significant distraction for management and significant expense, which may not be recoverable regardless of whether we are successful. Such proceedings may be protracted with no certainty of success, and an adverse outcome could subject us to liabilities, force us to cease use of certain trademarks or other intellectual property or force us to enter into licenses with others. Any one of these occurrences may have an adverse effect on our business, financial condition and results of operations.

***If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and related notes appearing elsewhere in this prospectus. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant estimates and judgments involve revenue recognition, contingent consideration and the valuation of our stock-based compensation awards, including the determination of fair value of our common stock, among others. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, including in connection with the COVID-19 pandemic, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock.

## **Risks Related to Legal and Government Regulation**

***Food safety and food-borne illness incidents or advertising or product mislabeling may materially and adversely affect our business by exposing us to lawsuits, product recalls or regulatory enforcement actions, increasing our operating costs and reducing demand for our product offerings.***

Selling food for human consumption involves inherent legal and other risks, and there is increasing governmental scrutiny of and public awareness regarding food safety. Illness, injury or death related to allergens, food-borne illnesses, foreign material contamination or other food safety incidents caused by our products, or involving our suppliers, could result in the disruption or discontinuance of sales of these products or our relationships with such suppliers, or otherwise result in increased operating costs, regulatory enforcement actions or harm to our reputation. For example, in December 2019, our co-manufacturer for hard-boiled eggs conducted a voluntary Class I recall of all hard-boiled eggs produced at its facility, including ours, due to a potential listeria contamination at the production facility. Our co-manufacturer elected to permanently close the affected production facility and move all production to a different facility, which did not have sufficient capacity to meet product demand. As a result we were unable to supply customers with hard-boiled eggs for a period of time in the first quarter of fiscal 2020. Our co-manufacturer is currently able to meet our product demand for hard-boiled eggs due to the effects of COVID-19 on the foodservice industry. However, we may experience supply issues once the foodservice industry returns to full capacity, which may lead to additional loss of customers.

Shipment of adulterated or misbranded products, even if inadvertent, can result in criminal or civil liability. Such incidents could also expose us to product liability, negligence or other lawsuits, including consumer class action lawsuits. Any claims brought against us may exceed or be outside the scope of our existing or future insurance policy coverage or limits. Any judgment against us that is more than our policy limits or not covered by our policies or not subject to insurance would have to be paid from our cash reserves, which would reduce our capital resources.

The occurrence of food-borne illnesses or other food safety incidents could also adversely affect the price and availability of affected raw materials, resulting in higher costs, disruptions in supply and a reduction in our sales. Furthermore, any instances of food contamination or regulatory noncompliance, whether or not caused by our actions, could compel us, our suppliers, our distributors or our customers, depending on the circumstances, to conduct a recall in accordance with FDA or USDA regulations and policies, and comparable state laws. Food recalls could result in significant losses due to their costs, the destruction of product inventory, lost sales due to the unavailability of the product for a period of time and potential loss of existing distributors or customers and a potential negative impact on our ability to attract new customers due to negative consumer experiences or because of an adverse impact on our brand and reputation. The costs of a recall could be outside the scope of our existing or future insurance policy coverage or limits.

In addition, food companies have been subject to targeted, large-scale tampering as well as to opportunistic, individual product tampering, and we, like any food company, could be a target for product tampering. Forms of tampering could include the introduction of foreign material, chemical contaminants and pathological organisms into food products, as well as product substitution. Governmental regulations require companies like us to analyze, prepare and implement mitigation strategies specifically to address tampering designed to inflict widespread public health harm. If we do not adequately address the possibility, or any actual instance, of product tampering, we could face possible seizure or recall of our products and the imposition of civil or criminal sanctions, which could adversely affect our business, financial condition and operating results.

***Our operations are subject to FDA and USDA federal regulation and state regulation, and there is no assurance that we will be in compliance with all regulations.***

Our operations are subject to extensive regulation by the FDA, the USDA and other federal, state and local authorities. With respect to eggs in particular, the FDA and the USDA split jurisdiction depending on the type of product involved. While the FDA has primary responsibility for the regulation of shell eggs, the USDA has

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primary responsibility for the regulation of dried, frozen or liquid eggs and other “egg products,” subject to certain exceptions. Specifically, our shell eggs, butter, hard-boiled eggs and ghee products are subject to the requirements of the Federal Food, Drug, and Cosmetic Act, as amended, or the FDCA, and regulations promulgated thereunder by the FDA with respect to our shell egg, hard-boiled egg, butter and ghee products. This comprehensive regulatory program governs, among other things, the manufacturing, composition and ingredients, packaging, labeling and safety of most food products. The FDA requires that facilities that manufacture food products comply with a range of requirements, including hazard analysis and preventative controls regulations, current good manufacturing practices, or cGMPs, and supplier verification requirements. Our shell egg operations are further subject to FDA regulatory requirements governing the production, storage and transportation of shell eggs for the control of salmonella. FDA-inspected processing facilities are subject to periodic and “for cause” inspection by federal, state and local authorities. In addition, certain of our products, such as our liquid whole egg products, are subject to regulation by the USDA, including facility registration, inspection, manufacturing and labeling requirements. We do not control the manufacturing processes of, and rely upon, our co-manufacturers for compliance with cGMPs and other regulatory requirements for the manufacturing of our products that is conducted by our co-manufacturers. If we or our co-manufacturers cannot successfully manufacture products that conform to our specifications and the strict regulatory requirements of the FDA, the USDA or others, we or they may be subject to adverse inspectional findings or enforcement actions, which could materially impact our ability to market our products, result in our co-manufacturers’ inability to continue manufacturing for us, result in a recall of our products that have already been distributed and result in damage to our brand and reputation. For example, in December 2019, our co-manufacturer for hard-boiled eggs conducted a voluntary Class I recall of all hard-boiled eggs produced at its facility, including ours, due to a potential listeria contamination at the production facility. We rely upon our co-manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If the FDA, the USDA or a comparable foreign regulatory authority determines that we or these co-manufacturers have not complied with the applicable regulatory requirements, our business may be adversely impacted.

Our liquid whole eggs are subject to the requirements of the Egg Products Inspection Act, or EPIA, and regulations promulgated thereunder by the USDA. The USDA has comprehensive regulations in place that apply to establishments that break, dry and process shell eggs into liquid egg products. This regulatory scheme governs the manufacturing, processing, pasteurizations, packaging, labeling and safety of egg products. Under the EPIA and USDA regulations, establishments that manufacture egg products must comply with the USDA’s requirements for sanitation, temperature control, pasteurization and labeling. We also anticipate that our co-manufacturers’ liquid whole egg establishment will be required to implement Hazard Analysis and Critical Control Point and Sanitary Standard Operating Procedure requirements within two years after the USDA finalizes its Egg Products Inspection Rule in the coming months. We do not control the manufacturing processes of, and rely upon, our co-manufacturers for compliance with USDA regulations for the manufacturing of our liquid egg products that is conducted by our co-manufacturers. If we or our co-manufacturers cannot successfully manufacture liquid whole eggs that conform to our specifications and the strict regulatory requirements of the USDA or others, we or they may be subject to adverse inspectional findings or enforcement actions, which could materially impact our ability to market our products, could result in our co-manufacturers’ inability to continue manufacturing for us, or could result in a recall of our product that has already been distributed. In addition, we rely upon our co-manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If the USDA or a comparable foreign regulatory authority determines that we or these co-manufacturers have not complied with the applicable regulatory requirements, our business may be materially impacted.

In addition to regulation pursuant to the FDCA and the EPIA, some of our products are subject to the Agricultural Marketing Act of 1946, or the AMA. The AMA governs voluntary grade claims that appear on some of our products and are administered by the USDA Agricultural Marketing Service, or AMS. For instance, our shell eggs, including those handled by our co-manufacturers, are graded for quality by USDA AMS grading personnel. Similarly, our butter product, including those handled by our co-manufacturers, are graded for flavor, body, color and salt content. We do not control the processes in place on our contract farms or with our co-manufacturers (which can affect the assigned grade), and rely upon both to provide us quality, fresh products

that meet our stringent quality standards. If we, or our network of family farms and co-manufacturers, cannot successfully manufacture products that confirm with our quality specifications or meet appropriate grading standards under the AMA, we may have difficulty marketing our products or may be required to source our products from other farms and co-manufacturers.

Our products that are labeled as “organic” are subject to the requirements of the Organic Foods Production Act, or OFPA, and the USDA’s National Organic Program, or NOP, regulations. The OFPA is a comprehensive regulatory scheme that mandates certain practices and prohibits other practices pertaining to the raising of animals and handling and processing of food products. We, and our network of family farms and co-manufacturers, contract with NOP-accredited certifying agents to ensure that our organic products are produced in compliance with the OFPA and NOP regulations. We do not control the farms where our products are raised and rely on the farms for compliance with the on-farm requirements of the OFPA and NOP regulations. Similarly, we do not control the manufacturing processes of, and we rely upon, our co-manufacturers for compliance with requirements of the OFPA and NOP regulations with respect to organic products handled and manufactured by our co-manufacturers. If we, the farms or the co-manufacturers cannot successfully raise and manufacture products that meet the strict regulatory requirements of the OFPA and the NOP, we or they may be subject to adverse inspectional findings or enforcement actions, which could materially impact our ability to market our products as “organic,” could result in the farms or co-manufacturers’ inability to continue to raise farm products or manufacture food for us, or we, the farms, or the co-manufacturer could lose the right to market products as “organic,” and subject us, the farms, or co-manufacturers to civil monetary penalties. If the USDA or a comparable foreign regulatory authority determines that we or these co-manufacturers have not complied with the applicable regulatory requirements, our business may be materially impacted.

We are also subject to state and local regulations, including product requirements, labeling requirements and import restrictions. For example, the State of Iowa requires that grocery stores which participate in the Special Supplement Nutrition Program for Women, Infants, and Children, and which sell eggs produced by chickens advertised as being housed in cage-free, free-range or enriched colony cage environments, also sell “conventional” eggs produced by chickens that are not so advertised. That regulation impacted the space allocation for non-caged eggs on the shelves of retailers in Iowa and their willingness to carry our eggs. In addition, one or more states could pass regulations that establish requirements that our products would not satisfy. If our products fail to meet such individual state standards or are restricted from being imported into a state by state regulatory requirements, our business, financial condition or results of operations could be materially and adversely affected.

We seek to comply with applicable regulations through a combination of employing internal experience and expert personnel to ensure quality-assurance compliance (i.e., assuring that our products are not adulterated or misbranded) and contracting with third-party laboratories that conduct analyses of products to ensure compliance with nutrition labeling requirements and to identify any potential contaminants before distribution. Failure by us, the farms or the co-manufacturers to comply with applicable laws and regulations or maintain permits, licenses or registrations relating to our or our co-manufacturers’ operations could subject us to civil remedies or penalties, including fines, injunctions, recalls or seizures, warning letters, restrictions on the marketing or manufacturing of products, or refusals to permit the import or export of products, as well as potential criminal sanctions, which could result in increased operating costs resulting in a material effect on our operating results and business. See the section titled “Business—Government Regulation.”

***Changes in existing laws or regulations, or the adoption of new laws or regulations may increase our costs and otherwise adversely affect our business, results of operations and financial condition.***

The manufacture and marketing of food products is highly regulated. We, our suppliers and co-manufacturers are subject to a variety of laws and regulations. These laws and regulations apply to many aspects of our business, including the manufacture, packaging, labeling, distribution, advertising, sale, quality and safety of our products, as well as the health and safety of our crew members and the protection of the environment.

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In the United States, we are subject to regulation by various government agencies, including the FDA, the USDA, the Federal Trade Commission, or FTC, the Occupational Safety and Health Administration, or OSHA, and the Environmental Protection Agency, or EPA, as well as various state and local agencies. We are also regulated outside the United States by various international regulatory bodies. In addition, we are subject to certain standards, such as GFSI standards and review by voluntary organizations, such as the Council of Better Business Bureaus' National Advertising Division. We could incur costs, including fines, penalties and third-party claims, because of any violations of, or liabilities under, such requirements, including any competitor or consumer challenges relating to compliance with such requirements. For example, in connection with the marketing and advertisement of our products, we could be the target of claims relating to false or deceptive advertising, including under the auspices of the FTC and the consumer protection statutes of some states.

The regulatory environment in which we operate could change significantly and adversely in the future. Any change in manufacturing, labeling or packaging requirements for our products may lead to an increase in costs or interruptions in production, either of which could adversely affect our operations and financial condition. New or revised government laws and regulations could result in additional compliance costs and, in the event of non-compliance, civil remedies, including fines, injunctions, withdrawals, recalls or seizures and confiscations, as well as potential criminal sanctions, any of which may adversely affect our business, financial condition and results of operations.

***Failure by our network of family farms, suppliers of raw materials or co-manufacturers to comply with food safety, environmental or other laws and regulations, or with the specifications and requirements of our products, may disrupt our supply of products and adversely affect our business.***

If our network of family farms, suppliers or co-manufacturers fail to comply with food safety, environmental, health and safety or other laws and regulations, or face allegations of non-compliance, their operations may be disrupted and our reputation could be harmed. Additionally, the farms and co-manufacturers are required to maintain the quality of our products and to comply with our standards and specifications. In the event of actual or alleged non-compliance, we might be forced to find alternative farms, suppliers or co-manufacturers and we may be subject to lawsuits and/or regulatory enforcement actions related to such non-compliance by the farms, suppliers and co-manufacturers. As a result, our supply of pasture-raised eggs and other raw materials or finished inventory could be disrupted or our costs could increase, which would adversely affect our business, results of operations and financial condition. The failure of any partner farmer or co-manufacturer to produce products that conform to our standards could adversely affect our reputation in the marketplace and result in product recalls, product liability claims, government or third-party actions and economic loss. For example, in December 2019, our co-manufacturer for hard-boiled eggs conducted a voluntary Class I recall of all hard-boiled eggs produced at its facility, including ours, due to a potential listeria contamination at the production facility. Additionally, actions we may take to mitigate the impact of any disruption or potential disruption in our supply of pasture-raised eggs and other raw materials or finished inventory, including increasing inventory in anticipation of a potential supply or production interruption, may adversely affect our business, financial condition and results of operations.

***We are subject to stringent environmental regulation and potentially subject to environmental litigation, proceedings, and investigations.***

Our business operations and ownership and past and present operation of real property are subject to stringent federal, state, and local environmental laws and regulations pertaining to the discharge of materials into the environment and natural resources. Violation of these laws and regulations could lead to substantial liabilities, fines and penalties or to capital expenditures related to pollution control equipment that could have a material adverse effect on our business. We could also experience in the future significant opposition from third parties with respect to our business, including environmental non-governmental organizations, neighborhood groups and municipalities. Additionally, new matters or sites may be identified in the future that will require additional environmental investigation, assessment, or expenditures, which could cause additional capital



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expenditures. Future discovery of contamination of property underlying or in the vicinity of our present properties or facilities and/or waste disposal sites could require us to incur additional expenses, delays to our business and to our proposed construction. The occurrence of any of these events, the implementation of new laws and regulations, or stricter interpretation of existing laws or regulations, could adversely affect our business, financial condition and results of operations.

### ***Legal claims, government investigations or other regulatory enforcement actions could subject us to civil and criminal penalties.***

We operate in a highly regulated environment with constantly evolving legal and regulatory frameworks. Consequently, we are subject to a heightened risk of legal claims, government investigations or other regulatory enforcement actions. Although we have implemented policies and procedures designed to ensure compliance with existing laws and regulations, there can be no assurance that our crew members, consultants, independent contractors, suppliers, co-manufacturers or distributors will not violate our policies and procedures. Moreover, a failure to maintain effective control processes could lead to violations, unintentional or otherwise, of laws and regulations. Legal claims, government investigations or regulatory enforcement actions arising out of our failure or alleged failure to comply with applicable laws and regulations could subject us to civil and criminal penalties that could materially and adversely affect our product sales, reputation, financial condition and operating results. In addition, the costs and other effects of defending potential and pending litigation and administrative actions against us may be difficult to determine and could adversely affect our financial condition and operating results.

### ***Litigation or legal proceedings could expose us to significant liabilities and have a negative impact on our reputation or business.***

From time to time, we may be party to various claims and litigation proceedings. We evaluate these claims and litigation proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we may establish reserves, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from our assessments and estimates. We are not currently party to any material litigation.

Even when not merited, the defense of these lawsuits may divert our management's attention, and we may incur significant expenses in defending these lawsuits. The results of litigation and other legal proceedings are inherently uncertain, and adverse judgments or settlements in some of these legal disputes may result in adverse monetary damages, penalties or injunctive relief against us, which could have a material adverse effect on our financial position, cash flows or results of operations. Any claims or litigation, even if fully indemnified or insured, could damage our reputation and make it more difficult to compete effectively or to obtain adequate insurance in the future.

Furthermore, while we maintain insurance for certain potential liabilities, such insurance does not cover all types and amounts of potential liabilities and is subject to various exclusions as well as caps on amounts recoverable. Even if we believe a claim is covered by insurance, insurers may dispute our entitlement to recovery for a variety of potential reasons, which may affect the timing and, if the insurers prevail, the amount of our recovery.

## **Risks Related to Ownership of Our Common Stock**

### ***Our stock price may be volatile, and the value of our common stock may decline.***

The market price of our common stock may be highly volatile and may fluctuate or decline substantially as a result of a variety of factors, some of which are beyond our control, including:

- actual or anticipated fluctuations in our financial condition or results of operations;

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- variance in our financial performance from expectations of securities analysts;
- changes in our projected operating and financial results;
- announcements by us or our competitors of significant business developments, acquisitions or new offerings;
- announcements or concerns regarding real or perceived quality or health issues with our products or similar products of our competitors;
- adoption of new regulations applicable to the food industry or the expectations concerning future regulatory developments;
- our involvement in litigation;
- future sales of our common stock by us or our stockholders, as well as the anticipation of lock-up releases;
- changes in senior management or key personnel;
- the trading volume of our common stock; and
- changes in the anticipated future size and growth rate of our market.

Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may also negatively impact the market price of our common stock, particularly in light of uncertainties surrounding the ongoing COVID-19 pandemic and the related impacts.

***No public market for our common stock currently exists, and an active public trading market may not develop or be sustained following this offering.***

No public market for our common stock currently exists. An active public trading market for our common stock may not develop following the completion of this offering or, if developed, may not be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair value of your shares. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies by using our shares as consideration.

***We will have broad discretion in the use of the net proceeds to us from this offering and may not use them effectively.***

We will have broad discretion in the application of the net proceeds that we receive from this offering, including for any of the purposes described in the section titled “Use of Proceeds,” and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds that we receive from this offering, our ultimate use may vary substantially from our currently intended use. Investors will need to rely upon the judgment of our management with respect to the use of such proceeds. Pending use, we may invest the net proceeds that we receive from this offering in short-term, investment-grade, interest-bearing securities, such as money market accounts, certificates of deposit, commercial paper, and guaranteed obligations of the U.S. government that may not generate a high yield for our stockholders. If we do not use the net proceeds that we receive in this offering effectively, our business, financial condition, results of operations and prospects could be harmed, and the market price of our common stock could decline.

***Insiders have substantial control over us and will be able to influence corporate matters.***

Following this offering, our directors, officer and stockholders holding more than 5% of our outstanding stock, together with their affiliates, will hold, in the aggregate, approximately 71.3% of our outstanding capital

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stock (based on shares outstanding as of March 29, 2020 and excluding any shares purchased in the directed share program). As a result, these stockholders will be able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership could limit stockholders' ability to influence corporate matters and may have the effect of delaying or preventing a third party from acquiring control over us.

### ***Future sales of our common stock in the public market could cause the market price of our common stock to decline.***

Sales of a substantial number of shares of our common stock in the public market following the completion of this offering, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. Many of our existing equityholders have substantial unrecognized gains on the value of the equity they hold based upon the price of this offering, and therefore they may take steps to sell their shares or otherwise secure the unrecognized gains on those shares. We are unable to predict the timing of or the effect that such sales may have on the prevailing market price of our common stock.

All of our directors and officers and the holders of substantially all of our capital stock and securities convertible into our capital stock are subject to lock-up agreements that restrict their ability to transfer shares of our capital stock for 180 days from the date of this prospectus, subject to certain exceptions. Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC may, in their sole discretion, permit our stockholders who are subject to these lock-up agreements to sell shares prior to the expiration of the lock-up agreements, subject to applicable notice requirements. If not earlier released, all of the shares of common stock sold in this offering will become eligible for sale upon expiration of the 180-day lock-up period, except for any shares held by our affiliates as defined in Rule 144 under the Securities Act of 1933, as amended, or the Securities Act, and any share sold to our directors or executive officers pursuant to our directed share program.

In addition, there were 4,915,272 shares of common stock issuable upon the exercise of outstanding stock options as of March 29, 2020. We intend to register all of the shares of common stock issuable upon exercise of outstanding stock options, or other equity incentives we may grant in the future, for public resale under the Securities Act. The shares of common stock will become eligible for sale in the public market to the extent such options are exercised, subject to the lock-up agreements described above and compliance with applicable securities laws.

Further, based on shares outstanding as of March 29, 2020, holders of approximately 31,041,957 shares, or 79.2% of our capital stock after the completion of this offering (after giving effect to sales by selling stockholders in this offering, assuming no exercise of the underwriters' option to purchase additional shares from the selling stockholders), as well as holders of 946,925 shares issuable upon the exercise of outstanding vested and unvested stock options, will have rights, subject to some conditions, to require us to file registration statements covering the sale of their shares or to include their shares in registration statements that we may file for ourselves or other stockholders.

### ***Our issuance of additional capital stock in connection with financings, acquisitions, investments, our equity incentive plans or otherwise will dilute all other stockholders.***

We expect to issue additional capital stock in the future that will result in dilution to all other stockholders. We expect to grant equity awards to employees, directors and consultants under our equity incentive plans. We may also raise capital through equity financings in the future. As part of our business strategy, we may acquire or make investments in companies and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per share value of our common stock to decline.

***If securities or industry analysts do not publish research or publish unfavorable or inaccurate research about our business, the market price and trading volume of our common stock could decline.***

The market price and trading volume of our common stock following the completion of this offering will be heavily influenced by the way analysts interpret our financial information and other disclosures. We do not have control over these analysts. If few securities analysts commence coverage of us, or if industry analysts cease coverage of us, our stock price would be negatively affected. If securities or industry analysts do not publish research or reports about our business, downgrade our common stock, or publish negative reports about our business, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our stock price to decline and could decrease the trading volume of our common stock.

***You will experience immediate and substantial dilution in the net tangible book value of the shares of common stock you purchase in this offering.***

The initial public offering price of our common stock is substantially higher than the pro forma net tangible book value per share of our common stock immediately after this offering. If you purchase shares of our common stock in this offering, you will suffer immediate dilution of \$13.41 per share, representing the difference between our pro forma as adjusted net tangible book value per share after giving effect to the sale of common stock in this offering and the initial public offering price of \$16.00 per share, the midpoint of the price range set forth on the cover page of this prospectus. See the section titled “Dilution.”

***We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.***

While we have previously paid cash dividends on our capital stock, we do not intend to pay any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, you may need to rely on sales of our common stock after price appreciation, which may never occur, as the only way to realize any future gains on your investment.

***We are an “emerging growth company,” and we cannot be certain if the reduced reporting and disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.***

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Pursuant to Section 107 of the JOBS Act, as an emerging growth company, we have elected to use the extended transition period for complying with new or revised accounting standards until those standards would otherwise apply to private companies. As a result, our consolidated financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make our common stock less attractive to investors. In addition, if we cease to be an emerging growth company, we will no longer be able to use the extended transition period for complying with new or revised accounting standards.

We will remain an emerging growth company until the earliest of: (1) the last day of the fiscal year following the fifth anniversary of this offering; (2) the last day of the first fiscal year in which our annual gross revenue is \$1.07 billion or more; (3) the date on which we have, during the previous rolling three-year period, issued more than \$1 billion in non-convertible debt securities; and (4) the last day of the fiscal year in which the market value of our common stock held by non-affiliates exceeded \$700 million as of June 30 of such fiscal year.

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We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. For example, if we do not adopt a new or revised accounting standard, our future results of operations may not be as comparable to the results of operations of certain other companies in our industry that adopted such standards. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock, and our stock price may be more volatile.

***We will incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to compliance with our public company responsibilities and corporate governance practices.***

As a public company, we will incur significant finance, legal, accounting and other expenses, including director and officer liability insurance, that we did not incur as a private company, which we expect to further increase after we are no longer an “emerging growth company.” The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of Nasdaq, and other applicable securities rules and regulations impose various requirements on public companies. Our management and other personnel devote a substantial amount of time to compliance with these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. We cannot predict or estimate the amount of additional costs we will incur as a public company or the specific timing of such costs.

Pursuant to Section 404 of the Sarbanes-Oxley Act, or Section 404, we will be required to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting for the fiscal year ending December 30, 2021. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting in our first annual report required to be filed with the Securities and Exchange Commission, or SEC, following the date we are no longer an emerging growth company. To prepare for eventual compliance with Section 404, we will be engaged in a costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404, but we may not be able to complete our evaluation, testing and any required remediation in a timely fashion once initiated. Our compliance with Section 404 will require that we incur substantial expenses and expend significant management efforts. We currently do not have an internal audit group, and we will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404.

***We previously identified two material weaknesses in our internal control over financial reporting, and if we are unable to achieve and maintain effective internal control over financial reporting, the accuracy and timing of our financial reporting may be adversely affected.***

Prior to this offering, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. In connection with the audit of our financial statements for fiscal 2018, we identified two material weaknesses in our internal control over financial reporting. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We determined that we had two material weaknesses because (i) we did not maintain a sufficient complement of personnel with an appropriate degree of technical knowledge commensurate with our accounting and reporting requirements and (ii) we did not design our controls sufficiently to completely and accurately record our accrued liabilities and other estimates at period end. As a result, there were certain post-close adjustments that were required that were material to the financial statements. These material weaknesses could

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result in a misstatement of account balances or disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected. In connection with the audit of our financial statements for 2019, we determined that the previously identified material weaknesses had been remediated.

To address these material weaknesses, we hired additional accounting personnel and implemented process level and management review controls. We can give no assurance that additional material weaknesses in our internal control over financial reporting will not be identified in the future. Our failure to implement and maintain effective internal control over financial reporting could result in errors in our financial statements that could result in a restatement of our financial statements, cause us to fail to meet our reporting obligations.

As a public company, we will be required to further design, document and test our internal controls over financial reporting to comply with Section 404. We cannot be certain that additional material weaknesses and control deficiencies will not be discovered in the future. If material weaknesses or control deficiencies occur in the future, we may be unable to report our financial results accurately on a timely basis or help prevent fraud, which could cause our reported financial results to be materially misstated and result in the loss of investor confidence or delisting and cause the market price of our common stock to decline. If we have material weaknesses in the future, it could affect the financial results that we report or create a perception that those financial results do not fairly state our financial position or results of operations. Either of those events could have an adverse effect on the value of our common stock.

Further, even if we conclude that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our results of operations or cause us to fail to meet our future reporting obligations.

### ***Our status as a public benefit corporation and a Certified B Corporation may not result in the benefits that we anticipate.***

We have elected to be classified as a public benefit corporation under Delaware law. As a public benefit corporation we are required to balance the financial interests of our stockholders with the best interests of those stakeholders materially affected by our conduct, including particularly those affected by the specific benefit purposes set forth in our certificate of incorporation. In addition, there is no assurance that the expected positive impact from being a public benefit corporation will be realized. Accordingly, being a public benefit corporation and complying with our related obligations could negatively impact our ability to provide the highest possible return to our stockholders.

As a public benefit corporation, we are required to disclose to stockholders a report at least biennially on our overall public benefit performance and on our assessment of our success in achieving our specific public benefit purpose. If we are not timely or are unable to provide this report, or if the report is not viewed favorably by parties doing business with us or regulators or others reviewing our credentials, our reputation and status as a public benefit corporation may be harmed.

While not required by Delaware law or the terms of our certificate of incorporation, we have elected to have our social and environmental performance, accountability and transparency assessed against the proprietary criteria established by an independent non-profit organization. As a result of this assessment, we have been designated as a "Certified B Corporation," which refers to companies that are certified as meeting certain levels of social and environmental performance, accountability and transparency. The standards for Certified B Corporation certification are set by an independent organization and may change over time. Currently, we are required to recertify as a Certified B Corporation once every three years. Additionally, we are required to commit

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to recertifying within 90 days following the effective date of this offering and to complete this recertification within one year following the effective date of this offering. Our reputation could be harmed if we lose our status as a Certified B Corporation, whether by our choice or by our failure to continue to meet the certification requirements, if that failure or change were to create a perception that we are more focused on financial performance and are no longer as committed to the values shared by Certified B Corporations. Likewise, our reputation could be harmed if our publicly reported Certified B Corporation score declines.

### ***As a public benefit corporation, our duty to balance a variety of interests may result in actions that do not maximize stockholder value.***

As a public benefit corporation, our board of directors has a duty to balance (i) the pecuniary interest of our stockholders, (ii) the best interests of those materially affected by our conduct and (iii) specific public benefits identified in our charter documents. While we believe our public benefit designation and obligation will benefit our stockholders, in balancing these interests our board of directors may take actions that do not maximize stockholder value. Any benefits to stockholders resulting from our public benefit purposes may not materialize within the timeframe we expect or at all and may have negative effects. For example:

- we may choose to revise our policies in ways that we believe will be beneficial to our stakeholders, including farmers, suppliers, crew members and local communities, even though the changes may be costly;
- we may take actions, such as building state-of-the-art facilities with technology and quality control mechanisms that exceed the requirements of USDA and the FDA, even though these actions may be more costly than other alternatives;
- we may be influenced to pursue programs and services to demonstrate our commitment to the communities to which we serve and bringing ethically produced food to the table even though there is no immediate return to our stockholders; or
- in responding to a possible proposal to acquire the company, our board of directors may be influenced by the interests of our stakeholders, including farmers, suppliers, crew members and local communities, whose interests may be different from the interests of our stockholders.

We may be unable or slow to realize the benefits we expect from actions taken to benefit our stakeholders, including farmers, suppliers, crew members and local communities, which could adversely affect our business, financial condition and results of operations, which in turn could cause our stock price to decline.

### ***As a public benefit corporation, we may be subject to increased derivative litigation concerning our duty to balance stockholder and public benefit interests, the occurrence of which may have an adverse impact on our financial condition and results of operations.***

Stockholders of a Delaware public benefit corporation (if they, individually or collectively, own at least 2% of its outstanding capital stock or, upon the completion of this offering, the lesser of such percentage or shares of at least \$2 million in market value) are entitled to file a derivative lawsuit claiming that its directors failed to balance stockholder and public benefit interests. This potential liability does not exist for traditional corporations. Therefore, we may be subject to the possibility of increased derivative litigation, which would require the attention of management and, as a result, may adversely impact management's ability to effectively execute our strategy. Any such derivative litigation may be costly and have an adverse impact on our financial condition and results of operations.

### ***Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.***

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect upon the completion of this offering, and provisions of Delaware law applicable to us as a public



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benefit corporation, may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws will include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, shares of undesignated preferred stock with terms, rights and preferences determined by our board of directors that may be senior to our common stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the chairperson of our board of directors, or our chief executive officer;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, with each class serving three-year staggered terms;
- prohibit cumulative voting in the election of directors;
- provide that our directors may be removed for cause only upon the vote of at least 66 2/3% of our outstanding shares of voting stock; and
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally, subject to certain exceptions, prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder became an “interested” stockholder.

Also, as a public benefit corporation, our board of directors is required by the Delaware General Corporation Law to manage or direct our business and affairs in a manner that balances the pecuniary interests of our stockholders, the best interests of those materially affected by our conduct, and the specific public benefits identified in our certificate of incorporation. Additionally, pursuant to our amended and restated certificate of incorporation, a vote of at least 66 2/3% of our outstanding shares of voting stock is required for matters directly or indirectly amending or removing our public benefit purpose, or to effect a merger or consolidation involving stock consideration with an entity that is not a public benefit corporation with an identical public benefit to ours. We believe that our public benefit corporation status will make it more difficult for another party to obtain control of us without maintaining our public benefit corporation status and purpose. Any of the foregoing provisions could limit the price that investors might be willing to pay in the future for shares of our common stock, and they could deter potential acquirers of our company, thereby reducing the likelihood that you would receive a premium for your shares of our common stock in an acquisition.

***Our amended and restated certificate of incorporation will designate the Court of Chancery of the State of Delaware and, to the extent enforceable, the federal district courts of the United States of America as the exclusive forums for substantially all disputes between us and our stockholders, which will restrict our stockholders’ ability to choose the judicial forum for disputes with us or our directors, officers, or employees.***

Our amended and restated certificate of incorporation that will be in effect upon the completion of this offering will provide that the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery

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of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: any derivative action or proceeding brought on our behalf; any action asserting a breach of a fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; any action as to which the Delaware General Corporation Law confers jurisdiction to the court of Chancery of the State of Delaware; or any action asserting a claim against us that is governed by the internal affairs doctrine. The provisions would not apply to suits brought to enforce a duty or liability created by the Exchange Act of 1934, as amended, or the Exchange Act, or any other claim for which federal courts have exclusive jurisdiction.

Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation will provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act.

These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees. While Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring such a claim arising under the Securities Act against us and our directors, officers or other employees in a venue other than in the federal district courts of the United States of America. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require further significant additional costs associated with resolving the dispute in other jurisdictions, and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions, any of which could seriously harm our business.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this prospectus, including statements regarding our future results of operations or financial condition, business strategy and plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will” or “would” or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- the effects of the current COVID-19 pandemic, or of other global outbreaks of pandemics or contagious diseases or fear of such outbreaks, including on our supply chain, the demand for our products, and on overall economic conditions and consumer confidence and spending levels;
- our expectations regarding our revenue, expenses and other operating results;
- our ability to acquire new customers and successfully retain existing customers;
- our ability to attract and retain our suppliers, distributors and co-manufacturers;
- our ability to sustain or increase our profitability;
- our ability to procure sufficient high quality eggs, butter and other raw materials;
- real or perceived quality with our products or other issues that adversely affect our brand and reputation;
- changes in the tastes and preferences of our consumers;
- the financial condition of, and our relationships with, our suppliers, co-manufacturers, distributors, retailers and foodservice customers, as well as the health of the foodservice industry generally;
- real or perceived quality or health issues with our products or other issues that adversely affect our brand and reputation;
- the ability of our suppliers and co-manufacturers to comply with food safety, environmental or other laws or regulations;
- future investments in our business, our anticipated capital expenditures and our estimates regarding our capital requirements;
- the costs and success of our marketing efforts, and our ability to promote our brand;
- our reliance on key personnel and our ability to identify, recruit and retain skilled personnel;
- our ability to effectively manage our growth;
- our focus on a specific public benefit purpose and producing a positive effect for society may negatively influence our financial performance;
- our ability to compete effectively with existing competitors and new market entrants;
- the impact of adverse economic conditions;
- the sufficiency of our cash to meet our liquidity needs and service our indebtedness;
- seasonality; and
- the growth rates of the markets in which we compete.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this prospectus primarily on our current expectations and projections

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about future events and trends that we believe may affect our business, financial condition and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled “Risk Factors” and elsewhere in this prospectus. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this prospectus. And while we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this prospectus to reflect events or circumstances after the date of this prospectus or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

## USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately \$71.3 million based on an assumed initial public offering price of \$16.00 per share of common stock, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any of the proceeds from the sale of common stock in this offering by the selling stockholders.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$16.00 per share of common stock, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us from this offering by approximately \$4.7 million, assuming the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 1,000,000 shares in the number of shares of common stock offered by us would increase (decrease) the net proceeds to us from this offering by approximately \$14.9 million, assuming the assumed initial public offering price of \$16.00 per share of common stock remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to increase our capitalization and financial flexibility, to create a public market for our common stock and to facilitate our future access to the capital markets. As of the date of this prospectus, we cannot specify with certainty all of the particular uses for the net proceeds we receive from this offering. However, we currently intend to use the net proceeds we receive from this offering for general corporate purposes, including working capital, operating expenses and capital expenditures. We currently expect that these capital expenditures will include approximately \$15.0 million of net proceeds from this offering to further fund the expansion of Egg Central Station, additional funding for which may also come from cash on hand or borrowings under our credit facility with PNC Bank, National Association, or the Credit Facility. We may also use a portion of the net proceeds we receive from this offering to acquire complementary businesses, products, services or technologies. However, we do not have agreements or commitments to enter into any acquisitions at this time.

We will have broad discretion over how to use the net proceeds we receive from this offering. We intend to invest the net proceeds we receive from this offering that are not used as described above in investment-grade, interest-bearing instruments.

## **DIVIDEND POLICY**

We declared cash dividends on our common stock in June 2013 totaling approximately \$0.3 million. We cannot provide any assurance that we will declare or pay cash dividends on our capital stock in the future. In addition, our ability to pay dividends on our capital stock is subject to limitations under the terms of the Credit Facility. See Note 11 to our consolidated financial statements and Note 9 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus for additional information on the Credit Facility. We currently intend to retain all available funds and future earnings, if any, to fund the development and expansion of our business, and we do not anticipate declaring or paying any cash dividends in the foreseeable future. Any future determination regarding the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions (including in our then-existing debt arrangements), capital requirements, business prospects and other factors our board of directors may deem relevant.

## CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 29, 2020:

- on an actual basis;
- on a pro forma basis, giving effect to (1) the automatic conversion of all outstanding shares of convertible preferred stock into an aggregate of 8,192,876 shares of common stock and (2) the filing and effectiveness of our amended and restated certificate of incorporation, each of which will occur immediately prior to the completion of this offering; and
- on a pro forma as adjusted basis, giving effect to (1) the pro forma adjustments described above and (2) our receipt of estimated net proceeds from the sale of 5,040,323 shares of common stock that we are offering at an assumed initial public offering price of \$16.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this table together with the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of March 29, 2020		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands except share and per share amounts)		
Cash and cash equivalents	\$ 1,711	\$ 1,711	\$ 74,205
Long-term debt, net of issuance costs, including current portion	10,216	10,216	10,216
Convertible preferred stock, \$0.0001 par value, 8,192,876 shares authorized, issued and outstanding, actual, and no shares authorized, issued and outstanding, pro forma and pro forma as adjusted	23,036	—	—
Stockholders’ equity:			
Preferred stock, \$0.0001 par value, no shares authorized, issued, and outstanding, actual, and 10,000,000 shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—	—	—
Common stock, \$0.0001 par value, 40,348,565 authorized, 31,437,486 shares issued and 25,942,568 shares outstanding, actual, 310,000,000 shares authorized, 39,630,362 shares issued and 34,135,444 shares outstanding, pro forma, and 310,000,000 shares authorized, 44,670,685 shares issued and 39,175,767 shares outstanding, pro forma as adjusted	3	3	4
Treasury stock, 5,494,918 shares, at cost	(16,276)	(16,276)	(16,276)
Additional paid-in capital	20,051	43,087	114,435
Retained earnings	7,184	7,184	7,184
Total stockholders’ equity attributable to Vital Farms, Inc. common stockholders	10,962	33,998	105,347
<b>Total capitalization</b>	<b>\$ 44,214</b>	<b>\$ 44,214</b>	<b>\$ 115,563</b>

A \$1.00 increase (decrease) in the assumed initial public offering price of \$16.00 per share of common stock, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) each of our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders’ equity and total capitalization by approximately \$4.7 million, assuming the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 1,000,000 shares in the number of shares of common stock offered by us



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would increase (decrease) each of our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by approximately \$14.9 million, assuming the assumed initial public offering price of \$16.00 per share of common stock remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expense payable by us.

The number of shares of common stock that will be outstanding after this offering is based on 34,135,444 shares of common stock outstanding as of March 29, 2020, and excludes:

- 4,915,272 shares of common stock issuable on the exercise of outstanding stock options as of March 29, 2020 under our 2013 Plan with a weighted-average exercise price of \$3.58 per share;
- 52,888 shares of common stock issuable upon the exercise of outstanding stock options issued after March 29, 2020 pursuant to our 2013 Plan with a weighted-average exercise price of \$13.31 per share;
- 196,800 shares of common stock issued on June 9, 2020 upon the exercise of a common stock warrant;
- 3,000,000 shares of common stock reserved for future issuance under our 2020 Plan, which will become effective immediately prior to the execution of the underwriting agreement related to this offering, from which we will issue the IPO Grants and Director IPO Grants described below, plus as any future increases in the number of shares of common stock reserved for issuance thereunder, as more fully described in the section titled "Executive Compensation—Employee Benefit Plans—2020 Equity Incentive Plan";
- 421,202 shares of our common stock issuable upon the exercise of the IPO Grants, of which 62,500 shares will be granted to our named executive officers as described under the section titled "Executive Compensation—IPO Grants";
- 45,000 shares of our common stock underlying the Director IPO Grants; and
- 900,000 shares of common stock reserved for issuance under our ESPP, which will become effective immediately prior to the execution of the underwriting agreement related to this offering, as well as any future increases, including annual automatic evergreen increases, in the number of shares of common stock reserved for future issuance thereunder.

## DILUTION

If you invest in our common stock in this offering, your interest will be diluted to the extent of the difference between the initial public offering price per share of common stock and the pro forma as adjusted net tangible book value per share immediately after this offering.

Our pro forma net tangible book value as of March 29, 2020 was \$28.6 million, or \$0.84 per share of common stock. Our pro forma net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the number of our shares of common stock outstanding as of March 29, 2020, after giving effect to the automatic conversion of all outstanding shares of convertible preferred stock into an aggregate of 8,192,876 shares of common stock, which will occur immediately prior to the completion of this offering.

After giving effect to the sale by us of 5,040,323 shares of common stock in this offering at an assumed initial public offering price of \$16.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of March 29, 2020 would have been \$101.6 million, or \$2.59 per share. This amount represents an immediate increase in pro forma as adjusted net tangible book value of \$1.75 per share to our existing stockholders and an immediate dilution of \$13.41 per share to new investors purchasing common stock in this offering. We determine dilution by subtracting the pro forma as adjusted net tangible book value per share after this offering from the initial public offering price per share paid by investors purchasing common stock in this offering. The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share	\$16.00
Historical net tangible book value per share as of March 29, 2020	\$0.22
Increase per share attributable to the pro forma adjustments described above	0.62
Pro forma net tangible book value per share as of March 29, 2020	0.84
Increase in pro forma as adjusted net tangible book value per share attributable to new investors purchasing shares in this offering	1.75
Pro forma as adjusted net tangible book value per share after giving effect to this offering	2.59
Dilution per share to new investors in this offering	<u>\$13.41</u>

The dilution information discussed above is illustrative only and may change based on the actual initial public offering price and other terms of this offering. A \$1.00 increase (decrease) in the assumed initial public offering price of \$16.00 per share of common stock, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering by \$0.12 per share and increase (decrease) the dilution to new investors by \$0.88 per share, in each case assuming the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions. Similarly, each increase of 1,000,000 shares in the number of shares of common stock offered by us would increase our pro forma as adjusted net tangible book value by approximately \$0.31 per share and decrease the dilution to new investors by approximately \$0.31 per share, and each decrease of 1,000,000 shares in the number of shares of common stock offered by us would decrease our pro forma as adjusted net tangible book value by approximately \$0.32 per share and increase the dilution to new investors by approximately \$0.32 per share, in each case assuming the assumed initial public offering price of \$16.00 per share of common stock remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

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The following table summarizes, as of March 29, 2020, on a pro forma as adjusted basis as described above, the number of shares of our common stock, the total consideration and the average price per share (1) paid to us by existing stockholders and (2) to be paid by new investors acquiring our common stock in this offering at an assumed initial public offering price of \$16.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	34,135,444	87.1%	\$ 48,670,042	37.6%	\$ 1.43
New investors	5,040,323	12.9%	\$ 80,645,168	62.4%	\$ 16.00
Totals	<u>39,175,767</u>	<u>100.0%</u>	<u>\$129,315,210</u>	<u>100.0%</u>	\$ 3.30

Sales by the selling stockholders in this offering will cause the number of shares held by existing stockholders to be reduced to 31,363,267 shares, or 80.1% of the total number of shares of our capital stock outstanding following the completion of this offering, and will increase the number of shares held by new investors to 7,812,500 shares, or 19.9% of the total number of shares of our capital stock outstanding following the completion of this offering.

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$16.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) the total consideration paid by new investors and total consideration paid by all stockholders by approximately \$5.0 million, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The number of shares of common stock that will be outstanding after this offering is based on 34,135,444 shares of common stock outstanding as of March 29, 2020, and excludes:

- 4,915,272 shares of common stock issuable on the exercise of outstanding stock options as of March 29, 2020 under our 2013 Plan with a weighted-average exercise price of \$3.58 per share;
- 52,888 shares of common stock issuable upon the exercise of outstanding stock options issued after March 29, 2020 pursuant to our 2013 Plan with a weighted-average exercise price of \$13.31 per share;
- 196,800 shares of common stock issued on June 9, 2020 upon the exercise of a common stock warrant;
- 3,000,000 shares of common stock reserved for future issuance under our 2020 Plan, which will become effective immediately prior to the execution of the underwriting agreement related to this offering, from which we will issue the IPO Grants and Director IPO Grants described below, plus as any future increases in the number of shares of common stock reserved for issuance thereunder, as more fully described in the section titled “Executive Compensation—Employee Benefit Plans—2020 Equity Incentive Plan”;
- 421,202 shares of our common stock issuable upon the exercise of the IPO Grants, of which 62,500 shares will be granted to our named executive officers as described under the section “Executive Compensation—IPO Grants”;
- 45,000 shares of our common stock underlying the Director IPO Grants; and
- 900,000 shares of common stock reserved for issuance under our ESPP, which will become effective immediately prior to the execution of the underwriting agreement related to this offering, as well as any future increases, including annual automatic evergreen increases, in the number of shares of common stock reserved for future issuance thereunder.

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To the extent that any outstanding stock options are exercised or new stock options are issued under our equity incentive plans, or that we issue additional shares of capital stock in the future, there will be further dilution to investors participating in this offering. If all outstanding stock options under our 2013 Plan as of March 29, 2020 were exercised, then our existing stockholders, including the holders of those stock options, would own 88.6%, and new investors would own 11.4%, of the total number of shares of our capital stock outstanding following the completion of this offering.

## SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated statements of operations data for the fiscal years ended December 31, 2017, December 30, 2018 and December 29, 2019 and the selected consolidated balance sheet data as of December 30, 2018 and December 29, 2019 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected condensed consolidated statements of operations data for the fiscal quarters ended March 31, 2019 and March 29, 2020 and the selected condensed consolidated balance sheet data as of March 29, 2020 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. You should read the consolidated financial data set forth below in conjunction with our consolidated financial statements and related notes and the information in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results to be expected for any period in the future.

	Fiscal Year Ended			Fiscal Quarter Ended	
	December 31, 2017	December 30, 2018	December 29, 2019	March 31, 2019	March 29, 2020
	(in thousands, except share and per share data)				
<b>Consolidated Statements of Operations Data:</b>					
Net revenue	\$ 74,000	\$ 106,713	\$ 140,733	\$ 32,945	\$ 47,579
Cost of goods sold	<u>55,612</u>	<u>71,894</u>	<u>97,856</u>	<u>21,439</u>	<u>31,724</u>
Gross profit	18,388	34,819	42,877	11,506	15,855
Operating expenses:					
Selling, general and administrative <sup>(1)</sup>	14,261	19,437	29,526	5,164	9,678
Shipping and distribution	<u>5,724</u>	<u>8,615</u>	<u>10,001</u>	<u>2,079</u>	<u>3,274</u>
Total operating expenses	19,985	28,052	39,527	7,243	12,952
(Loss) income from operations	<u>(1,597)</u>	<u>6,767</u>	<u>3,350</u>	<u>4,263</u>	<u>2,903</u>
Other (expense) income, net					
Interest expense, net	(524)	(424)	(349)	(86)	(158)
Other income	<u>9</u>	<u>9</u>	<u>1,417</u>	<u>1,269</u>	<u>20</u>
Total other (expense) income, net	(515)	(415)	1,068	1,183	(138)
Net (loss) income before income taxes	(2,112)	6,352	4,418	5,446	2,765
Provision for income taxes	<u>33</u>	<u>723</u>	<u>1,106</u>	<u>1,421</u>	<u>831</u>
Net (loss) income	(2,145)	5,629	3,312	4,025	1,934
Less: Net (loss) income attributable to noncontrolling interests	<u>\$ (225)</u>	<u>\$ (168)</u>	<u>\$ 927</u>	<u>\$ 967</u>	<u>\$ (11)</u>
Net (loss) income attributable to Vital Farms, Inc. common stockholders, basic and diluted	<u>\$ (1,920)</u>	<u>\$ 5,797</u>	<u>\$ 2,385</u>	<u>\$ 3,058</u>	<u>\$ 1,945</u>
Net (loss) income per share attributable to Vital Farms, Inc. common stockholders: <sup>(2)</sup>					
Basic	<u>\$ (0.07)</u>	<u>\$ 0.22</u>	<u>\$ 0.09</u>	<u>\$ 0.12</u>	<u>\$ 0.07</u>
Diluted	<u>\$ (0.07)</u>	<u>\$ 0.16</u>	<u>\$ 0.07</u>	<u>\$ 0.09</u>	<u>\$ 0.05</u>
Weighted-average shares used to compute net (loss) income per share attributable to Vital Farms, Inc. common stockholders: <sup>(2)</sup>					
Basic	<u>25,795,865</u>	<u>25,809,665</u>	<u>25,897,223</u>	<u>26,221,974</u>	<u>25,942,277</u>
Diluted	<u>25,795,865</u>	<u>35,258,594</u>	<u>36,071,015</u>	<u>35,766,018</u>	<u>37,118,484</u>
Pro forma net income per share attributable to Vital Farms, Inc. common stockholders: <sup>(2)</sup>					
Basic			<u>\$ 0.07</u>		<u>\$ 0.06</u>
Diluted			<u>\$ 0.07</u>		<u>\$ 0.05</u>
Weighted-average shares used to compute pro forma net income per share attributable to Vital Farms, Inc. common stockholders: <sup>(2)</sup>					
Basic			<u>34,090,099</u>		<u>34,135,153</u>
Diluted			<u>36,071,015</u>		<u>37,118,484</u>

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- (1) Includes stock-based compensation expense of \$495, \$600 and \$1,029 for the fiscal years 2017, 2018 and 2019, respectively, and \$143 and \$448 for the fiscal quarters ended March 31, 2019 and March 29, 2020, respectively.
- (2) See Note 17 to our consolidated financial statements and Note 14 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted net (loss) income per share attributable to Vital Farms, Inc. common stockholders and the weighted-average number of shares used in the computation of the per share amounts.

	<b>December 30, 2018</b>	<b>As of December 29, 2019</b>	<b>March 29, 2020</b>
		(in thousands)	
<b>Consolidated Balance Sheet Data:</b>			
Cash and cash equivalents	\$ 11,815	\$ 1,274	\$ 1,711
Working capital <sup>(1)</sup>	10,289	9,653	9,779
Total assets	49,855	61,948	67,422
Long-term debt, net of issuance costs, including current portion	3,807	5,056	10,216
Contingent consideration, including current portion	991	652	582
Total liabilities	22,377	30,099	33,181
Convertible preferred stock	23,036	23,036	23,036
Total stockholders' equity	4,267	8,638	11,030

- (1) Working capital is defined as current assets less current liabilities.

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the section titled "Selected Consolidated Financial Data" and our consolidated financial statements and related notes thereto included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and in the section titled "Risk Factors."*

### Overview

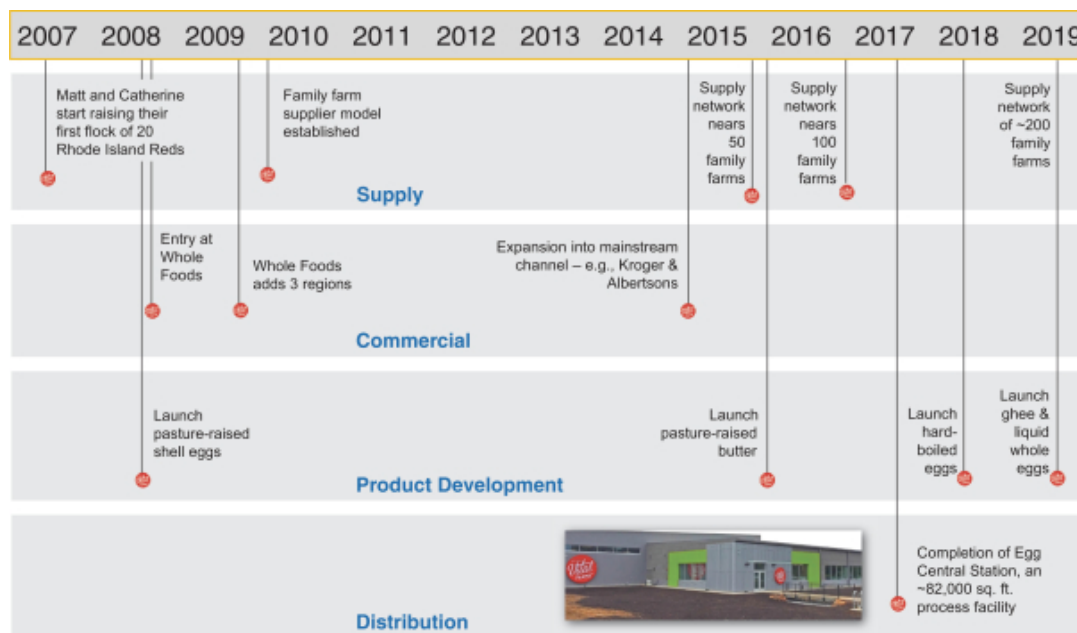
Vital Farms is an ethical food company that is disrupting the U.S. food system. We have developed a framework that challenges the norms of the incumbent food model and allows us to bring high-quality products from our network of small family farms to a national audience. This framework has enabled us to become the leading U.S. brand of pasture-raised eggs and butter and the second largest U.S. egg brand by retail dollar sales. Our ethics are exemplified by our focus on the humane treatment of farm animals and sustainable farming practices. We believe these standards produce happy hens with varied diets, which produce better eggs. There is a seismic shift in consumer demand for ethically produced, natural, traceable, clean label, great-tasting and nutritious foods. Supported by a steadfast adherence to the values on which we were founded, we have designed our brand and products to appeal to this consumer movement.

Our purpose is rooted in a commitment to Conscious Capitalism, which prioritizes the long-term benefits of each of our stakeholders (farmers and suppliers, customers and consumers, communities and the environment, crew members and stockholders). Our business decisions consider the impact on all of our stakeholders, in contrast with the factory farming model, which principally emphasizes cost reduction at the expense of animals, farmers, consumers, crew members, communities and the environment. These principles guide our day-to-day operations and, we believe, help us deliver a more sustainable and successful business. Our approach has been validated by our financial performance and our designation as a Certified B Corporation, a certification reserved for businesses that balance profit and purpose to meet the highest verified standards of social and environmental performance, public transparency and legal accountability.



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Vital Farms was founded in 2008, and our pasture-raised shell eggs were launched at Whole Foods in the same year. Since then, we have expanded our operations and our portfolio of pasture-raised food products as illustrated below:



We source our pasture-raised products from a network of approximately 200 small family farms. We have strategically designed our supply chain to ensure high-production standards and optimal year-round operation. We are motivated by the positive impact we have on rural communities and enjoy a strong relationship and reputation with our network of farmers.

We primarily work with our farms pursuant to buy-sell contracts. Under these arrangements, the farmer is responsible for all of the working capital and investments required to produce the eggs and manage the farm, including purchasing the birds and feed supply. We are contractually obligated to purchase all of the eggs produced by the farmer during the term of the contract at an agreed upon price that depends upon pallet weight and is indexed quarterly in arrears for changes in feed cost.

We believe we are a strategic and valuable partner to retailers. We have continued to command premium prices for our products, including our shell eggs, which sell for as much as three times the price of commodity eggs. Our loyal and growing consumer base has fueled the expansion of our brand from the natural channel to the mainstream channel. We believe the success of our brand demonstrates that consumers are demanding premium products that meet a higher ethical standard of food production. We have a strong presence at Kroger, Sprouts, Target and Whole Foods, and we also sell our pasture-raised products at Albertsons, Publix and Walmart. We offer 20 retail SKUs through a multi-channel retail distribution network. We believe we have significant room for growth within the retail and, in the medium- to long-term, foodservice channels through growing brand awareness, gaining additional points of distribution and new product innovation.

Our shell eggs are collected from farmers by a third-party freight carrier and placed in cold storage until we pack them for shipping to our customers at our state-of-the-art shell egg processing facility, Egg Central Station. Egg Central Station is approximately 82,000 square feet and utilizes highly automated equipment to grade and

package our shell egg products. Egg Central Station is capable of packing three million eggs per day and has achieved Safe Quality Food, or SQF, Level 3 certification, the highest level of such certification from the Global Food Safety Initiative. In addition, Egg Central Station, is the only egg facility, and we are one of only six companies, globally to have received the SQF Institute, or SQFI, Select Site certification. To distribute our products, we use a broker-distributor-retailer network whereby brokers represent our products to distributors and retailers who will in turn sell our products to consumers. We serve the majority of natural channel customers through food distributors, such as US Foods and KeHE, which purchase, store, sell and deliver our products to Whole Foods and Sprouts, respectively. In fiscal years 2017, 2018 and 2019, UNFI (which was Whole Foods' distributor through March 2020) accounted for approximately 36%, 36% and 35% of our net revenue and KeHE accounted for approximately 9%, 10% and 11% of our net revenue, respectively. In the fiscal quarters ended March 31, 2019 and March 29, 2020, UNFI accounted for approximately 37% and 33% of our net revenue, respectively, and KeHE accounted for approximately 12% and 11% of our net revenue, respectively. We serve mainstream retailers by arranging for delivery of our products directly through their distribution centers. We also leverage distributor relationships to fulfill orders for certain independent grocers and other customers.

We have experienced consistent sales growth. We had net revenue of \$74.0 million, \$106.7 million and \$140.7 million, net (loss) income of \$(2.1) million, \$5.6 million and \$3.3 million, and Adjusted EBITDA of \$(0.2) million, \$7.9 million and \$6.4 million in the fiscal years ended December 31, 2017, December 30, 2018 and December 29, 2019, respectively. We had net revenue of \$32.9 million and \$47.6 million, net income of \$4.0 million and \$1.9 million, and Adjusted EBITDA of \$4.8 million and \$3.8 million in the fiscal quarters ended March 31, 2019 and March 29, 2020, respectively. See the section titled “—Non-GAAP Financial Measure—Adjusted EBITDA” below for the definition of Adjusted EBITDA, as well as a reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure stated in accordance with GAAP.

### **COVID-19 Business Update**

With the global spread of the ongoing COVID-19 pandemic in the fiscal quarter ended March 29, 2020, we established a cross-functional task force and have implemented business continuity plans designed to address and mitigate the impact of the COVID-19 pandemic on our business and our stakeholders, comprised of farmers and suppliers, customers and consumers, communities and the environment, crew members and stockholders. While we are not experiencing material adverse impacts at this time, given the global economic slowdown, the overall disruption of global supply chains and distribution systems and the other risks and uncertainties associated with the pandemic, our business, financial condition, results of operations and growth prospects could be materially and adversely affected. We continue to closely monitor the COVID-19 situation as we evolve our business continuity plans and response strategy. In March 2020, the majority of our crew members at our headquarters transitioned to working remotely.

### **Supply Chain**

Egg Central Station currently continues to be operational and we have implemented a number of measures to prevent and mitigate any outbreak of COVID-19 at that facility; however, we are managing operations through “essential” on-site staff and flexible work arrangements, and may need to further modify or reduce operations due to the evolving effects of the COVID-19 pandemic.

We are working closely with our farmers, suppliers and third-party manufacturers to manage our supply chain activities and mitigate potential disruptions to our product supplies as a result of the COVID-19 pandemic. We are also strategically maintaining excess inventory, product packaging and Egg Central Station processing capacity in order to address any significant demand spikes. We currently expect to have an adequate supply of eggs to meet anticipated demand in fiscal 2020, as well as adequate capacity for packing and processing our eggs. Additionally, as a result of the COVID-19 pandemic, there have been recent disruptions in the U.S. pasture-raised milk supply, including significant drops in prices and demand, which have resulted in the loss of suppliers. While we have worked with our co-manufacturers to mitigate these supply disruptions, and as a result there has

been no impact on our ability to fill customer orders for pasture-raised butter or ghee products, we expect that these supply disruptions will continue for the foreseeable future and that they may be further exacerbated by the ongoing effects of the COVID-19 pandemic. If the COVID-19 pandemic persists for an extended period of time and further impacts egg or milk supply, or disrupts our essential distribution systems, we could experience disruptions to our supply chain and operations, and associated delays in the manufacturing and supply of our products, which would adversely impact our ability to generate sales of and revenues from our products.

### **Corporate Development**

With cash and cash equivalents of \$1.7 million as of March 29, 2020 and access to additional funds under our Credit Facility, we anticipate having sufficient liquidity to make investments in our business this fiscal year in support of our long-term growth strategy. We expect that our cash and cash equivalents as of March 29, 2020, together with cash provided by our operating activities and proceeds from borrowings under our existing Credit Facility, will be sufficient to fund our operating expenses for at least the next 12 months. Our future capital requirements will depend on many factors, including our pace of new and existing customer growth, our investments in innovation, our investments in partnerships and unexplored channels and the costs associated with our expansion of Egg Central Station. We may be required to seek additional equity or debt financing. However, the COVID-19 pandemic continues to rapidly evolve and has already resulted in a significant disruption of global financial markets. If the disruption persists and deepens, we could experience an inability to access additional capital, which could in the future negatively affect our operations. In the event that we require additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in continued innovation and product expansion, we may not be able to compete successfully, which would harm our business, operations and results of operations.

### **Other Financial and Corporate Impacts**

We believe recent increases in our net revenue have been driven in part by the impact of pantry-stocking trends associated with COVID-19 whereby customers increase their purchases of staples such as eggs and butter. We anticipate that our performance will be affected by the duration of COVID-19's impact on pantry-stocking trends, and we do not have certainty that these trends will continue. Our net revenue may be more variable as a result.

The extent of which COVID-19 impacts our ability to expand our household penetration, grow within the retail channel and execute on our corporate development objectives will depend on future developments that are highly uncertain and cannot be predicted with confidence at this time, such as the ultimate duration of the pandemic, travel restrictions, quarantines, social distancing and business closure requirements in the United States, and the effectiveness of actions taken globally to contain and treat the disease. For example, if remote work policies for certain portions of our business, or for our business partners, are extended longer than we currently expect, we may need to reassess our priorities and our corporate objectives for the fiscal year. Additionally, while the transition of the majority of our headquarters crew members to remote working in March 2020 has not materially disrupted our business operations, our financial close or reporting processes or the functioning of our internal controls, we are continuing to monitor these processes and may need to adjust them in the future as a result of the fluid nature of the COVID-19 pandemic and its impact on our operations.

### **Our Fiscal Year**

We report on a 52-53-week fiscal year, ending on the last Sunday in December, effective beginning with the first quarter of fiscal 2018. In a 52-53-week fiscal year, each fiscal quarter consists of 13 weeks. The additional week in a 53-week fiscal year is added to the fourth quarter, making such quarter consist of 14 weeks. Our first 53-week fiscal year will be fiscal 2023, which we expect to begin on December 26, 2022 and end on December 31, 2023. See Note 1 to our consolidated financial statements and Note 1 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus for additional details related to our fiscal calendar.

## Key Factors Affecting Our Business

We believe that the growth of our business and our future success are dependent upon many factors. While each of these factors presents significant opportunities for us, they also pose important challenges that we must successfully address to enable us to sustain the growth of our business and improve our results of operations.

### Expand Household Penetration

We have positioned our brand to capitalize on growing consumer interest in natural, clean-label, traceable, ethical, great-tasting and nutritious foods. We believe there is substantial opportunity to grow our consumer base and increase the velocity at which households purchase our products. U.S. household penetration for the shell egg category is approximately 93%, while the household penetration for our pasture-raised shell eggs is approximately 2%. We intend to increase household penetration by continuing to invest significantly in sales and marketing to educate consumers about our brand, our values and the premium quality of our products. We believe these efforts will educate consumers on the ethical value and the attractive attributes of pasture-raised food, generate further demand for our products and ultimately expand our consumer base. Our ability to attract new consumers will depend, among other things, on the perceived value and quality of our products, the offerings of our competitors and the effectiveness of our marketing efforts. Our performance depends significantly on factors that may affect the level and pattern of consumer spending in the U.S. natural food market in which we operate. Such factors include consumer preference, consumer confidence, consumer income, consumer perception of the safety and quality of our products and shifts in the perceived value for our products relative to alternatives.

### Grow Within the Retail Channel

We believe that our ability to increase the number of customers that sell our products to consumers is an indicator of our market penetration and our future business opportunities. We define our customers as the entities that sell our products to consumers. With certain of our retail customers, like Whole Foods and Sprouts, we sell our products through distributors. We are not able to precisely attribute our net revenue to a specific retailer for products sold through such channels. We rely on third-party data to calculate the portion of retail sales attributable to such retailers, but this data is inherently imprecise because it is based on gross sales generated by our products sold at retailers, without accounting for price concessions, promotional activities or chargebacks, and because it measures retail sales for only the portion of our retailers serviced through distributors. Based on this third-party data and internal analysis, Whole Foods accounted for approximately 37%, 33% and 31% of our retail sales in fiscal years 2017, 2018 and 2019, respectively, and Sprouts accounted for approximately 7%, 9% and 8% of our retail sales in fiscal years 2017, 2018 and 2019, respectively. Based on this third-party data and internal analysis, Whole Foods accounted for approximately 33% and 32% of our retail sales for the fiscal quarters ended March 31, 2019 and March 29, 2020, respectively, and Sprouts accounted for approximately 9% and 7% of our retail sales for the fiscal quarters ended March 31, 2019 and March 29, 2020, respectively.

As of March 2020, there are more than 13,000 stores selling our products. We expect the retail channel to be our largest source of net revenue for the foreseeable future. By capturing greater shelf space, driving higher product velocities and increasing our SKU count, we believe there is meaningful runway for further growth with existing retail customers. Additionally, we believe there is significant opportunity to gain incremental stores from existing customers as well as by adding new retail customers. We also believe there is significant further long-term opportunity in additional distribution channels, including the convenience, drugstore, club, military and international markets. Our ability to execute on this strategy will increase our opportunities for incremental sales to consumers, and we also believe this growth will allow for margin expansion. To accomplish these objectives, we intend to continue leveraging consumer awareness of and demand for our brand, offering targeted sales incentives to our customers and utilizing customer-specific marketing tactics. Our ability to grow within the retail channel will depend on a number of factors, such as our customers' satisfaction with the sales, product velocities and profitability of our products.

### **Expand Footprint Across Foodservice**

We believe there is a significant opportunity to expand sales of our products in the foodservice channel in the medium- to long-term. In fiscal 2019, the foodservice channel accounted for approximately 2% of our net revenue, and in the fiscal quarter ended March 29, 2020, the foodservice channel accounted for approximately 3% of our net revenue. Our brand has a differentiated value proposition with consumers, who we believe are increasingly demanding ethically produced ingredients when they eat outside of the home. We believe that more consumers will look for our products on menus, particularly with foodservice partners whose values are aligned with our own, and that on-menu branding of our products as ingredients in popular meals and menu items will drive traffic and purchases in the foodservice channel. We also believe that branded foodservice offerings will further help drive consumer awareness of our brand and purchase rates of our products in the retail channel. One example of our successful foodservice programs is with Tacodeli LLC, a popular chain based in Austin, Texas, which sells breakfast tacos made exclusively with our pasture-raised shell eggs across 11 restaurant locations and more than 60 points of distribution, such as coffee shops and farmers market stands, across Texas. We also believe there is significant additional opportunity in micro-markets, corporate offices, the hospitality industry, and colleges and universities in the medium- to long-term. We intend to continue to invest in relationships with foodservice operators, including to support joint marketing and advertising of our products. Expansion in this channel will depend on the health of the foodservice industry generally and on our ability to successfully partner with foodservice operators in a manner that leverages and reinforces our value proposition with consumers.

### **Expand Our Product Offerings**

We intend to continue to strengthen our product offerings by investing in innovation in new and existing categories. We launched pasture-raised hard-boiled eggs in 2018 and pasture-raised ghee and liquid whole eggs in 2019, and we believe there is opportunity to expand in the future into the refrigerated value-added dairy category, among others. Eggs generated \$128.6 million, or 91%, of net revenue in fiscal 2019 and \$43.9 million, or 92%, of net revenue in the fiscal quarter ended March 29, 2020. We expect eggs will be our largest source of net revenue for the foreseeable future. We believe that investments in innovation will contribute to our long-term growth, including by reinforcing our efforts to increase household penetration. Our ability to successfully develop, market and sell new products will depend on a variety of factors, including the availability of capital to invest in innovation, as well as changing consumer preferences and demand for food products.

## **Components of Results of Operations**

### **Net Revenue**

We generate net revenue primarily from sales of our products, including pasture-raised eggs, pasture-raised butter and other ethically produced food, to our customers, which include natural retailers, mainstream retailers and foodservice partners. We sell our products to customers on a purchase-order basis. We serve the majority of our natural channel customers and certain independent grocers and other customers through food distributors, which purchase, store, sell and deliver our products to these customers.

We periodically offer sales incentives to our customers, including rebates, temporary price reductions, off-invoice discounts, retailer advertisements, product coupons and other trade activities. We periodically provide chargebacks to our customers, which include credits or discounts to customers in the event that products do not conform to customer expectations upon delivery or expire at a customer's site. We record a provision for sales incentives at the later of the date at which the related revenue is recognized or when the sales incentive is offered. At the end of each accounting period, we recognize a liability for an estimated promotional allowance reserve. We treat chargebacks and discount offers, when accepted by customers, as a reduction of the sales price of the related transaction. We anticipate that these promotional activities, chargebacks and discount offers could impact our net revenue and that changes in such activities could impact period-over-period results.

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Our pasture-raised shell eggs are sold to consumers at a premium price point, and when prices for commodity shell eggs fall relative to the price of our pasture-raised shell eggs, price-sensitive consumers may choose to purchase commodity shell eggs offered by our competitors instead of our pasture-raised eggs. As a result, low commodity shell egg prices may adversely affect our net revenue. Net revenue may also vary from period to period depending on the purchase orders we receive, the volume and mix of our products sold, and the channels through which our products are sold.

### **Cost of Goods Sold**

Cost of goods sold consists primarily of the cost of eggs, butter and other raw materials, product packaging, co-manufacturing fees, direct labor and associated overhead costs, and plant and equipment depreciation and amortization. In addition, our cost of goods sold includes warehousing and transportation of inventory.

We historically contracted with farmers on an integrator basis, under which we purchased the birds required to produce the eggs, and provided the birds and feed supply to the farmer. Our integrator contracts generally have seven-year terms. In 2015, we shifted our focus toward a model in which we enter into buy-sell contracts with new farmers and existing farmers when their contracts expire. Our buy-sell contracts generally have three-year terms. Under these arrangements, the farmer is responsible for all of the working capital and investments required to produce the eggs and manage the farm, including purchasing the birds and feed supply. As of March 29, 2020, approximately 98% of the laying hens in our network of family farms were under buy-sell contracts and the remainder were under integrator contracts. The price we pay to purchase shell eggs from farmers fluctuates based on pallet weight, and under our buy-sell contracts, the price we pay is also indexed quarterly in arrears for changes in feed cost, which may cause our agreed-upon pricing under these contracts to fluctuate on a quarterly basis.

We work with our co-manufacturing partners on a purchase-order basis to produce all non-shell, pasture-raised egg products, including butter, ghee, hard-boiled eggs and liquid whole eggs.

We expect our cost of goods sold to increase in absolute dollars to support our growth. However, we expect that, over time, cost of goods sold will decrease as a percentage of net revenue, as a result of the scaling of our business.

### **Gross Profit and Gross Margin**

Gross profit consists of our net revenue less costs of goods sold. Gross profit was \$42.9 million and gross margin was 30% in fiscal 2019 and gross profit was \$15.9 million and gross margin was 33% in the fiscal quarter ended March 29, 2020. Gross profit and gross margin have been benefited by in-sourcing egg processing through Egg Central Station, which was completed in September 2017.

Gross profit and gross margin can be negatively affected by feed costs and commodity shell egg prices. As we continue to expand production, increase processing efficiency, leverage the cost of our fixed production and staff costs, and introduce new egg products to better utilize our existing egg supply, we expect to have the opportunity to increase our gross margins over time.

### **Operating Expenses**

Operating expenses consist of selling, general and administrative and shipping and distribution expenses.

#### ***Selling, General and Administrative***

Selling, general and administrative expenses consist primarily of broker and contractor fees for sales and marketing, and personnel costs for sales and marketing, finance, human resources and other administrative

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functions, consisting of salaries, benefits, bonuses, stock-based compensation expense and sales commissions. Selling, general and administrative expenses also include advertising and digital media costs, agency fees, travel and entertainment costs, and costs associated with consumer promotions, product samples, sales aids incurred to acquire new customers, retain existing customers and build our brand awareness, overhead costs for facilities, including associated depreciation and amortization expenses, and information technology-related expenses. We expect selling, general and administrative expenses to increase in absolute dollars as we continue to scale our operations to meet our product demand, continue to build brand equity across our product portfolio, add personnel to our sales and marketing organization, and operate as a public company with increased personnel costs in the finance, legal and accounting functions.

### ***Shipping and Distribution***

Shipping and distribution expenses consist primarily of costs related to third-party freight for our products. We expect shipping and distribution expenses to increase in absolute dollars as we continue to scale our business.

### **Other (Expense) Income, Net**

Other (expense) income, net consists primarily of interest paid on our term loan under our revolving credit, term loan and security agreement, or the Credit Facility. Other (expense) income, net also includes income earned on our money market funds included in cash and cash equivalents, interest income associated with our notes receivable from related parties and income earned related to a litigation settlement involving Ovabrite, Inc., or Ovabrite.

### **Provision for Income Taxes**

Provision for income taxes consists of United States federal and state income taxes.

### **Net (Loss) Income Attributable to Noncontrolling Interests**

In December 2016, we entered into an assignment and assumption agreement with Ovabrite, a technology company focused on developing technologies to detect egg fertility and chick gender. The initial stockholders of Ovabrite are also our stockholders, and the largest stockholder of Ovabrite is Matthew O'Hayer, our founder and executive chairman. In addition, we provide substantially all of the funding for the operations of Ovabrite.

Based upon this and other aspects of Ovabrite's design and operation, we determined that Ovabrite is a variable interest entity, or VIE, and we are the primary beneficiary as we have (i) the power to direct the activities of Ovabrite that most significantly impact Ovabrite's economic performance and (ii) the obligation to absorb losses that could potentially be significant to Ovabrite, or the right to receive benefits from Ovabrite that could potentially be significant to Ovabrite. Accordingly, we consolidate the results of Ovabrite and recognize the noncontrolling interests related to the VIE as equity in our consolidated financial statements separate from the parent entity's equity. Ovabrite's other stockholders' share of its earnings or loss is recorded in the consolidated statement of operations as net loss attributable to noncontrolling interests.



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The results of operations data for the fiscal years ended December 31, 2017, December 30, 2018 and December 29, 2019 have been derived from the audited consolidated financial statements included elsewhere in this prospectus. The results of operations data for the fiscal quarters ended March 31, 2019 and March 29, 2020 have been derived from the unaudited condensed consolidated financial statements included elsewhere in this prospectus. The following table sets forth our results of operations for the periods presented:

	Fiscal Year Ended			Fiscal Quarter Ended	
	December 31, 2017	December 30, 2018	December 29, 2019	March 31, 2019	March 29, 2020
	(in thousands)				
Net revenue	\$ 74,000	\$ 106,713	\$ 140,733	\$ 32,945	\$ 47,579
Cost of goods sold	55,612	71,894	97,856	21,439	31,724
Gross profit	18,388	34,819	42,877	11,506	15,855
Operating expenses:					
Selling, general and administrative <sup>(1)</sup>	14,261	19,437	29,526	5,164	9,678
Shipping and distribution	5,724	8,615	10,001	2,079	3,274
Total operating expenses	19,985	28,052	39,527	7,243	12,952
(Loss) income from operations	(1,597)	6,767	3,350	4,263	2,903
Other (expense) income, net:					
Interest expense, net	(524)	(424)	(349)	(86)	(158)
Other income	9	9	1,417	1,269	20
Total other (expense) income, net	(515)	(415)	1,068	1,183	(138)
Net (loss) income before income taxes	(2,112)	6,352	4,418	5,446	2,765
Provision for income taxes	33	723	1,106	1,421	831
Net (loss) income	(2,145)	5,629	3,312	4,025	1,934
Less: Net (loss) income attributable to noncontrolling interests	(225)	(168)	927	967	(11)
Net (loss) income attributable to Vital Farms, Inc. common stockholders	\$ (1,920)	\$ 5,797	\$ 2,385	\$ 3,058	\$ 1,945

(1) Includes stock-based compensation expense of \$495, \$600 and \$1,029 for the fiscal years 2017, 2018 and 2019, respectively, and \$143 and \$448 for the fiscal quarters ended March 31, 2019 and March 29, 2020, respectively.

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The following table sets forth our consolidated statement of operations data expressed as a percentage of net revenue for the periods presented:

### Comparison of the Fiscal Quarters Ended March 31, 2019 and March 29, 2020 (Unaudited)

	Fiscal Quarter Ended			
	March 31, 2019		March 29, 2020	
	Amount	% of Revenue	Amount	% of Revenue
	(dollars in thousands)			
Net revenue	\$32,945	100%	\$47,579	100%
Cost of goods sold	21,439	65%	31,724	67%
Gross profit	11,506	35%	15,855	33%
Operating expenses:				
Selling, general and administrative	5,164	16%	9,678	20%
Shipping and distribution	2,079	6%	3,274	7%
Total operating expenses	7,243	22%	12,952	27%
Income from operations	4,263	13%	2,903	6%
Other income (expense), net:				
Interest expense	(86)	—	(158)	—
Other income	1,269	4%	20	—
Total other income (expense), net	1,183	4%	(138)	—
Net income before income taxes	5,446	17%	2,765	6%
Provision for income taxes	1,421	4%	831	2%
Net income	4,025	12%	1,934	4%

### Net Revenue

	Fiscal Quarter Ended		\$ Change	% Change
	March 31, 2019	March 29, 2020		
	(in thousands)			
Net revenue	\$ 32,945	\$ 47,579	\$14,634	44%

Net revenue was \$32.9 million for the fiscal quarter ended March 31, 2019 as compared to \$47.6 million for the fiscal quarter ended March 29, 2020. The increase of \$14.7 million, or 44%, was primarily driven by an increase in gross egg sales of \$15.0 million, an increase in gross butter sales of \$0.4 million and an increase in gross ghee sales, a product that launched in the second half of fiscal 2019, of \$0.2 million. The increases were partially offset by an increase of \$0.9 million of sales incentives offered to customers in connection with our egg sales. The increases in egg sales and butter sales were primarily due to new customers, additional points of distribution for existing customers, a higher turnover rate of sales to our retail customers and an increase in the number of SKUs on the shelves of existing customers. The increases in sales were also partially due to an increase in volumes, especially in the last few weeks of the quarter, resulting from pantry stocking trends associated with the COVID-19 pandemic; nevertheless, we do not have certainty that these trends will continue. Net revenue from sales through our retail channel was \$32.2 million and \$44.7 million for the fiscal quarters ended March 31, 2019 and March 29, 2020, respectively, net revenue from sales through our foodservice channel was \$0.6 million and \$1.2 million for the fiscal quarters ended March 31, 2019 and March 29, 2020, respectively, and net revenue from sales to wholesalers and egg breaking plants was \$0.1 million and \$1.7 million for the fiscal quarters ended March 31, 2019 and March 29, 2020, respectively.

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### *Cost of Goods Sold*

	<u>Fiscal Quarter Ended</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>March 31, 2019</u>	<u>March 29, 2020</u>		
		(in thousands)		
Cost of goods sold	\$ 21,439	\$ 31,724	\$ 10,285	48%
Percentage of net revenue	65%	67%		

Cost of goods sold was \$21.4 million for the fiscal quarter ended March 31, 2019 as compared to \$31.7 million for the fiscal quarter ended March 29, 2020. The increase of \$10.3 million, or 48%, was primarily driven by increases associated with the cost of eggs of \$8.4 million, cost of butter of \$0.6 million, cost of ghee of \$0.2 million, costs associated with warehousing and transportation of inventory of \$0.8 million, and direct labor and overhead costs of \$0.3 million. The increase in costs associated with egg and butter sales, increase in costs associated with our warehousing and transportation of inventory, and increase in cost of goods sold associated with direct labor and overhead costs were primarily due to our increased sales volume.

### *Gross Profit and Gross Margin*

	<u>Fiscal Quarter Ended</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>March 31, 2019</u>	<u>March 29, 2020</u>		
		(in thousands)		
Gross profit	\$ 11,506	\$ 15,855	\$ 4,349	38%
Gross margin	35%	33%		(2%)

Gross profit was \$11.5 million and gross margin was 35% for the fiscal quarter ended March 31, 2019 as compared to gross profit of \$15.9 million and gross margin of 33% for the fiscal quarter ended March 29, 2020. Gross margin decreased by 2% due to a higher volume of eggs sold into the wholesale market at cost.

### *Operating Expenses*

#### *Selling, General and Administrative*

	<u>Fiscal Quarter Ended</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>March 31, 2019</u>	<u>March 29, 2020</u>		
		(in thousands)		
Selling, general and administrative	\$ 5,164	\$ 9,678	\$ 4,514	87%
Percentage of net revenue	16%	20%		

Selling, general and administrative expenses were \$5.2 million for the fiscal quarter ended March 31, 2019 as compared to \$9.7 million for the fiscal quarter ended March 29, 2020. The increase of \$4.5 million, or 87%, was primarily driven by an increase of \$1.5 million in employee-related costs driven by an overall increase in employee headcount to support our growth, an increase of \$1.4 million in marketing programs and associated expenses and commission payments made to third parties that sell our products to our customers due to our continued investment in brand marketing and direct advertising and an increase in corporate development expenses, including one-time expenses of \$0.3 million associated with our accounting and legal functions as we prepare to operate as a public company.

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### *Shipping and Distribution*

	<u>Fiscal Quarter Ended</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>March 31, 2019</u>	<u>March 29, 2020</u>		
	(in thousands)			
Shipping and distribution	\$ 2,079	\$ 3,274	\$ 1,195	57%
Percentage of net revenue	6%	7%		

Shipping and distribution expenses were \$2.1 million for the fiscal quarter ended March 31, 2019 as compared to \$3.3 million for the fiscal quarter ended March 29, 2020. The increase of \$1.2 million, or 57%, was primarily driven by an increase in sales volume that resulted in increased costs related to third-party freight for our products.

### *Other Income (Expense), Net*

	<u>Fiscal Quarter Ended</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>March 31, 2019</u>	<u>March 29, 2020</u>		
	(in thousands)			
Other income (expense), net	\$ 1,183	\$ (138)	\$ (1,321)	(112%)
Percentage of net revenue	4%	0%		

Other income, net was \$1.2 million for the fiscal quarter ended March 31, 2019 as compared to other expense, net of \$0.1 million for the fiscal quarter ended March 29, 2020. The decrease of \$1.3 million, or 112%, was primarily driven by a January 2019 gain of \$1.2 million in connection with the settlement of claims made pursuant to a lawsuit in which Ovabrite was the defendant and a countersuit in which Ovabrite was the plaintiff. The remaining \$0.1 million decrease was primarily driven by a decrease in interest income associated with our money market funds and notes receivable from related parties.

### *Provision for Income Taxes*

	<u>Fiscal Quarter Ended</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>March 31, 2019</u>	<u>March 29, 2020</u>		
	(in thousands)			
Provision for income taxes	\$ 1,421	\$ 831	\$ (590)	(42%)
Percentage of net revenue	4%	2%		

Provision for income taxes was \$1.4 million for the fiscal quarter ended March 31, 2019 as compared to \$0.8 million for the fiscal quarter ended March 29, 2020. The decrease of \$0.6 million, or 42%, was driven by higher pre-tax income during the fiscal quarter ended March 31, 2019 as compared to the fiscal quarter ended March 29, 2020.

### *Net Income (Loss) Attributable to Noncontrolling Interests*

	<u>Fiscal Quarter Ended</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>March 31, 2019</u>	<u>March 29, 2020</u>		
	(in thousands)			
Net income (loss) attributable to noncontrolling interests	\$ 967	\$ (11)	\$ (978)	(101%)

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Net income attributable to noncontrolling interests was \$1.0 million for the fiscal quarter ended March 31, 2019 as compared to net loss attributable to noncontrolling interests of \$11,000 for the fiscal quarter ended March 29, 2020. The decrease of \$1.0 million, or 101%, was primarily driven by a gain of \$1.2 million in January 2019 in connection with a lawsuit settlement in which Ovabrite was the defendant and a countersuit in which Ovabrite was the plaintiff, partially offset by higher operating costs of Ovabrite in the fiscal quarter ended March 31, 2019 as compared to the fiscal quarter ended March 29, 2020.

### Comparison of the Fiscal Years Ended December 30, 2018 and December 29, 2019

	Fiscal Year Ended			
	December 30, 2018		December 29, 2019	
	Amount	% of Revenue	Amount	% of Revenue
	(dollars in thousands)			
Net revenue	\$106,713	100%	\$140,733	100%
Cost of goods sold	71,894	67%	97,856	70%
Gross profit	34,819	33%	42,877	30%
Operating expenses:				
Selling, general and administrative	19,437	18%	29,526	21%
Shipping and distribution	8,615	8%	10,001	7%
Total operating expenses	28,052	26%	39,527	28%
Income from operations	6,767	6%	3,350	2%
Other (expense) income, net:				
Interest expense	(424)	—	(349)	—
Other income	9	—	1,417	1%
Total other (expense) income, net	(415)	—	1,068	1%
Net income before income taxes	6,352	6%	4,418	3%
Provision for income taxes	723	1%	1,106	1%
Net income	\$ 5,629	5%	\$ 3,312	2%

### Net Revenue

	Fiscal Year Ended			
	December 30, 2018	December 29, 2019	\$ Change	% Change
	(dollars in thousands)			
Net revenue	\$ 106,713	\$ 140,733	\$34,020	32%

Net revenue was \$106.7 million for the fiscal year ended December 30, 2018 as compared to \$140.7 million for the fiscal year ended December 29, 2019. The increase of \$34.0 million, or 32%, was primarily driven by an increase in gross egg sales of \$31.8 million, an increase in gross butter sales of \$4.1 million and an increase in gross ghee sales, a product that launched in the second half of fiscal 2019, of \$0.8 million. The increases were partially offset by an increase of \$2.2 million of sales incentives offered to customers in connection with our egg sales, \$0.4 million of sales incentives offered to customers in connection with our butter sales and \$0.1 million of sales incentives offered to customers in connection with our ghee sales. The increases in egg sales and butter sales were primarily due to new customers, additional points of distribution for existing customers, a higher turnover rate of sales to our retail customers and an increase in the number of SKUs on the shelves of existing customers. Net revenue from sales through our retail channel was \$104.6 million and \$137.3 million for fiscal 2018 and fiscal 2019, respectively, and net revenue from sales through our foodservice channel was \$2.1 million and \$3.4 million for fiscal 2018 and fiscal 2019, respectively.

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**Cost of Goods Sold**

	Fiscal Year Ended			
	December 30, 2018	December 29, 2019	\$ Change	% Change
		(dollars in thousands)		
Cost of goods sold	\$ 71,894	\$ 97,856	\$25,962	36%
Percentage of net revenue	67%	70%		

Cost of goods sold was \$71.9 million for the fiscal year ended December 30, 2018 as compared to \$97.9 million for the fiscal year ended December 29, 2019. The increase of \$26.0 million, or 36%, was primarily driven by increases associated with the cost of eggs of \$17.6 million, cost of butter of \$3.8 million, costs of ghee of \$0.6 million, costs associated with warehousing and transportation of inventory of \$1.1 million, increases of \$1.3 million associated with direct labor and overhead costs and increases of \$1.6 million associated with payments made to our partner farms for lost income. The increase in costs associated with egg and butter sales were primarily due to our increased sales volume and the increase in costs associated with our warehousing and transportation of inventory was a result of increased inventory levels due to increased sales volume. The increase in costs associated with payments made to our partner farms for lost income were a result of removing birds from current flocks ahead of schedule due to changes in our projected product demand outlook. We do not anticipate incurring additional costs of this nature in connection with our long-term supply contracts with our partner farms; however, if our projected inventory levels exceed our projected product demand outlook, we may be required to further amend our long-term supply contracts to align with our product demand projections. Cost of goods sold associated with direct labor and overhead costs increased as a result of our increased sales volume.

**Gross Profit and Gross Margin**

	Fiscal Year Ended			
	December 30, 2018	December 29, 2019	\$ Change	% Change
		(dollars in thousands)		
Gross profit	\$ 34,819	\$ 42,877	\$ 8,058	23%
Gross margin	33%	30%		(3%)

Gross profit was \$34.8 million and gross margin was 33% for the fiscal year ended December 30, 2018 as compared to gross profit of \$42.9 million and gross margin of 30% for the fiscal year ended December 29, 2019. Gross profit and gross margin in fiscal 2019 were reduced by an increase in product donations of \$2.6 million and costs of \$1.6 million incurred in association with commitments made by us to reimburse partner farms for lost income in connection with removing birds from current flocks ahead of schedule. In addition, beginning in the fourth quarter of 2019, there was an increase in the market prices of raw materials used in the production of butter.

**Operating Expenses**

*Selling, General and Administrative*

	Fiscal Year Ended			
	December 30, 2018	December 29, 2019	\$ Change	% Change
		(dollars in thousands)		
Selling, general and administrative	\$ 19,437	\$ 29,526	\$10,089	52%
Percentage of net revenue	18%	21%		

Selling, general and administrative expenses were \$19.4 million for the fiscal year ended December 30, 2018 as compared to \$29.5 million for the fiscal year ended December 29, 2019. The increase of \$10.1 million, or 52%, was primarily driven by an increase of \$5.3 million related to our marketing programs and associated

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expenses, an increase of \$1.9 million in other general and administrative expenses, an increase of \$1.2 million in personnel costs, a \$1.0 million litigation gain in fiscal 2018 that did not have an effect in fiscal 2019 and an increase of \$0.7 million of commission payments made to third parties that sell our products to our customers. The increases associated with our marketing programs and associated expenses and commission payments were primarily due to our continued investment in brand marketing and direct advertising, and the increase associated with our personnel costs was a direct result of increasing our headcount to support our marketing efforts and support our growth. The increase in other general and administrative expenses primarily consisted of increases in legal, accounting and tax fees, including one-time expenses of \$1.4 million associated with our accounting and legal functions as we prepare to operate as a public company, travel and facility-related expenses. The litigation gain in fiscal 2018 resulted from the April 2018 settlement of a lawsuit in which we were the plaintiff.

### *Shipping and Distribution*

	Fiscal Year Ended		\$ Change	% Change
	December 30, 2018	December 29, 2019		
Shipping and distribution	\$ 8,615	\$ 10,001	\$ 1,386	16%
Percentage of net revenue	8%	7%		

Shipping and distribution expenses were \$8.6 million for the fiscal year ended December 30, 2018 as compared to \$10.0 million for the fiscal year ended December 29, 2019. The increase of \$1.4 million, or 16%, was primarily driven by an increase in sales volume that resulted in increased costs related to cold storage and third-party freight for our products.

### *Other (Expense) Income, Net*

	Fiscal Year Ended		\$ Change	% Change
	December 30, 2018	December 29, 2019		
Other (expense) income, net	\$ (415)	\$ 1,068	\$ 1,483	357%
Percentage of net revenue	— %	1%		

Other expense, net was \$0.4 million for fiscal year ended December 30, 2018 as compared to other income, net of \$1.1 million for the fiscal year ended December 29, 2019. The increase of \$1.5 million, or 357%, was primarily driven by a gain of \$1.2 million in connection with the settlement of claims made pursuant to a lawsuit in which Ovabrite was the defendant and a countersuit in which Ovabrite was the plaintiff. The remaining increase was primarily a result of interest income associated with our money market funds and notes receivable from related parties.

### *Provision for Income Taxes*

	Fiscal Year Ended		\$ Change	% Change
	December 30, 2018	December 29, 2019		
Provision for income taxes	\$ 723	\$ 1,106	\$ 383	53%
Percentage of net revenue	1%	1%		

Provision for income taxes was \$0.7 million for the fiscal year ended December 30, 2018 as compared to \$1.1 million for the fiscal year ended December 29, 2019. The increase was primarily driven by the reduction in our 2018 current federal tax expense in association with the reduction of our valuation allowance in 2018.



### Net (Loss) Income Attributable to Noncontrolling Interests

	Fiscal Year Ended		\$ Change	% Change
	December 30, 2018	December 29, 2019		
	(dollars in thousands)			
Net (loss) income attributable to noncontrolling interest	\$ (168)	\$ 927	\$ 1,095	652%

Net loss attributable to noncontrolling interests was \$0.2 million for the fiscal year ended December 30, 2018 as compared to net income attributable to noncontrolling interests of \$0.9 million for the fiscal year ended December 29, 2019. The increase was primarily a result of a gain of \$1.2 million in connection with the settlement of claims made pursuant to a lawsuit in which Ovabrite was the defendant and a countersuit in which Ovabrite was the plaintiff, partially offset by the share of Ovabrite's net loss attributable to its other stockholders.

### Comparison of the Fiscal Years Ended December 31, 2017 and December 30, 2018

	Fiscal Year Ended		\$ Change	% of Net Revenue
	December 31, 2017	December 30, 2018		
	Amount	% of Revenue	Amount	%
	(dollars in thousands)			
Net revenue	\$74,000	100%	\$106,713	100%
Cost of goods sold	55,612	75%	71,894	67%
Gross profit	18,388	25%	34,819	33%
Operating expenses:				
Selling, general and administrative	14,261	19%	19,437	18%
Shipping and distribution	5,724	8%	8,615	8%
Total operating expenses	19,985	27%	28,052	26%
(Loss) income from operations	(1,597)	(2)%	6,767	6%
Other expense, net:				
Interest expense, net	(524)	(1)%	(424)	—
Other Income	9	—	9	—
Total other expense, net	(515)	(1)%	(415)	—
Net (loss) income before income taxes	(2,112)	(3)%	6,352	6%
Provision for income taxes	33	—	723	1%
Net (loss) income	<u>\$ (2,145)</u>	<u>(3)%</u>	<u>\$ 5,629</u>	<u>5%</u>

### Net Revenue

	Fiscal Year Ended		\$ Change	% Change
	December 31, 2017	December 30, 2018		
	(dollars in thousands)			
Net revenue	\$ 74,000	\$ 106,713	\$32,713	44%

Net revenue was \$74.0 million for the fiscal year ended December 31, 2017 as compared to \$106.7 million for the fiscal year ended December 30, 2018. The increase of \$32.7 million, or 44%, was primarily driven by an increase in gross egg sales of \$34.9 million and an increase in gross butter sales of \$3.9 million. The increases were partially offset by increases of \$5.6 million of sales incentives offered to customers in connection with our egg sales and \$0.5 million of sales incentives offered to customers in connection with our butter sales. The

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increases in egg and butter sales were primarily due to volume increases to our distributors and a higher turnover rate of sales to our retail customers. Net revenue from sales through our natural and mainstream channels was \$71.3 million and \$104.6 million for fiscal 2017 and fiscal 2018, respectively. Net revenue from sales through our foodservice channel was \$2.7 million and \$2.1 million for fiscal 2017 and fiscal 2018, respectively.

### ***Cost of Goods Sold***

	<b>Fiscal Year Ended</b>			
	<b>December 31, 2017</b>	<b>December 30, 2018</b>	<b>\$ Change</b>	<b>% Change</b>
	<b>(dollars in thousands)</b>			
Cost of goods sold	\$ 55,612	\$ 71,894	\$16,282	29%
Percentage of net revenue	75%	67%		

Cost of goods sold was \$55.6 million for the fiscal year ended December 31, 2017 as compared to \$71.9 million for the fiscal year ended December 30, 2018. The increase of \$16.3 million, or 29%, was primarily driven by increases associated with the cost of eggs of \$10.1 million, cost of butter of \$2.6 million and costs associated with warehousing and transportation of inventory of \$1.0 million, all of which were primarily due to increased sales volume, as well as \$3.6 million of direct labor and overhead costs. The cost increases were partially offset by a decrease of \$1.0 million associated with payments to our partner farms, which we made in fiscal 2017 but not in fiscal 2018, for lost income as a result of removing birds from current flocks ahead of schedule.

### ***Gross Profit and Gross Margin***

	<b>Fiscal Year Ended</b>			
	<b>December 31, 2017</b>	<b>December 30, 2018</b>	<b>\$ Change</b>	<b>% Change</b>
	<b>(dollars in thousands)</b>			
Gross profit	\$ 18,388	\$ 34,819	\$16,431	89%
Gross margin	25%	33%		

Gross profit was \$18.4 million for the fiscal year ended December 31, 2017 as compared to \$34.8 million for the fiscal year ended December 30, 2018. Gross margin was 25% for fiscal 2017 as compared to 33% for fiscal 2018. Gross profit and gross margin were benefited by in-sourcing egg processing through Egg Central Station, which was completed in September 2017.

### ***Operating Expenses***

#### ***Selling, General and Administrative***

	<b>Fiscal Year Ended</b>			
	<b>December 31, 2017</b>	<b>December 30, 2018</b>	<b>\$ Change</b>	<b>% Change</b>
	<b>(dollars in thousands)</b>			
Selling, general and administrative	\$ 14,261	\$ 19,437	\$ 5,176	36%
Percentage of net revenue	19%	18%		

Selling, general and administrative expenses were \$14.3 million for the fiscal year ended December 31, 2017 as compared to \$19.4 million for the fiscal year ended December 30, 2018. The increase of \$5.2 million, or 36%, was primarily driven by an increase of \$3.5 million related to our marketing programs and associated expenses, an increase of \$1.8 million in personnel costs, a \$1.0 million litigation gain offset by an increase of \$0.3 million in other general and administrative expenses and \$0.6 million of commission payments made to third parties that sell our products to our customers. The increases associated with our marketing programs and

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associated expense and commission payments were primarily due to increases in brand marketing and direct advertising. The increase associated with our personnel costs was a direct result of increased headcount in our sales and marketing department in 2018, partially offset by rotating personnel out of general and administrative functions to our plant operations as a result of the completion of Egg Central Station in September 2017. The litigation gain resulted from the April 2018 settlement of a lawsuit in which we were the plaintiff. The increase in other general and administrative expenses primarily consisted of increases in travel and facility-related expenses.

### *Shipping and Distribution*

	Fiscal Year Ended		\$ Change	% Change
	December 31, 2017	December 30, 2018		
	(dollars in thousands)			
Shipping and distribution	\$ 5,724	\$ 8,615	\$ 2,891	51%
Percentage of net revenue	8%	8%		

Shipping and distribution expenses were \$5.7 million for the fiscal year ended December 31, 2017 as compared to \$8.6 million for the fiscal year ended December 30, 2018. The increase of \$2.9 million, or 51%, was primarily driven by an increase in sales volume that resulted in increased costs related to cold storage and third-party freight for our products.

### *Other Expense, Net*

	Fiscal Year Ended		\$ Change	% Change
	December 31, 2017	December 30, 2018		
	(dollars in thousands)			
Other expense, net	\$ (515)	\$ (415)	\$ 100	(19)%
Percentage of net revenue	(1)%	— %		

Other expense, net was \$0.5 million for the fiscal year ended December 31, 2017 as compared to \$0.4 million for the fiscal year ended December 30, 2018. The decrease was primarily due to the declining principal balance on our debt.

### *Provision for Income Taxes*

	Fiscal Year Ended		\$ Change	% Change
	December 31, 2017	December 30, 2018		
	(dollars in thousands)			
Provision for income taxes	\$ 33	\$ 723	\$ 690	2,091%
Percentage of net revenue	— %	1%		

Provision for income taxes was \$33,000 for the fiscal year ended December 31, 2017 as compared to \$0.7 million for the fiscal year ended December 30, 2018.

### *Net Loss Attributable to Noncontrolling Interests*

	Fiscal Year Ended		\$ Change	% Change
	December 31, 2017	December 30, 2018		
	(dollars in thousands)			
Net loss attributable to noncontrolling interests	\$ (225)	\$ (168)	\$ 57	(25)%

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Net loss attributable to noncontrolling interests was \$0.2 million for the fiscal years ended December 31, 2017 and December 30, 2018, representing the share of Ovabrite's net loss that is attributable to its other stockholders.

### Quarterly Results of Operations

The following table sets forth our unaudited condensed consolidated statement of operations data for each of the last eight fiscal quarters in the period ended March 29, 2020. The unaudited quarterly consolidated statements of operations data set forth below have been prepared on a basis consistent with our audited annual consolidated financial statements included elsewhere in this prospectus and include, in the opinion of management, all normal recurring adjustments necessary for the fair statement of the results of operations for the periods presented. Our historical quarterly results are not necessarily indicative of the results that may be expected in any future period. The following quarterly financial data should be read in conjunction with our audited consolidated financial statements and the related notes and our unaudited condensed consolidated financial statements and the related notes included elsewhere in this prospectus.

	Fiscal Quarter Ended							
	July 1, 2018	September 30, 2018	December 30, 2018	March 31, 2019	June 30, 2019	September 29, 2019	December 29, 2019	March 29, 2020
	(dollars in thousands)							
Net revenue	\$ 23,638	\$ 27,042	\$ 31,793	\$ 32,945	\$ 32,285	\$ 34,082	\$ 41,421	\$ 47,579
Cost of goods sold	16,197	18,193	21,346	21,439	21,285	23,484	31,648	31,724
Gross profit	7,441	8,849	10,447	11,506	11,000	10,598	9,773	15,855
Gross margin	31%	33%	33%	35%	34%	31%	24%	33%
Operating expenses:								
Selling, general and administrative	2,983	4,927	6,499	5,164	4,758	7,069	12,535	9,678
Shipping and distribution	1,977	2,104	2,811	2,079	2,333	2,345	3,244	3,274
Total operating expenses	4,960	7,031	9,310	7,243	7,091	9,414	15,779	12,952
Income (loss) from operations	2,481	1,818	1,137	4,263	3,909	1,184	(6,006)	2,903
Other (expense) income, net:								
Interest expense	(95)	(100)	(133)	(86)	(79)	(85)	(99)	(158)
Other income	—	—	5	1,269	53	47	48	20
Total other (expense) income, net	(95)	(100)	(128)	1,183	(26)	(38)	(51)	(138)
Net income (loss) before income taxes	2,386	1,718	1,009	5,446	3,883	1,146	(6,057)	2,765
Provision (benefit) for income taxes	248	429	46	1,421	1,095	323	(1,733)	831
Net income (loss)	2,138	1,289	963	4,025	2,788	823	(4,324)	1,934
Less: Net (loss) income attributable to noncontrolling interests	(36)	(24)	(45)	967	(11)	(6)	(23)	(11)
Net income (loss) attributable to Vital Farms, Inc. stockholders	<u>\$ 2,174</u>	<u>\$ 1,313</u>	<u>\$ 1,008</u>	<u>\$ 3,058</u>	<u>\$ 2,799</u>	<u>\$ 829</u>	<u>\$ (4,301)</u>	<u>\$ 1,945</u>

### Quarterly Revenue Trends

Our net revenues have generally increased sequentially in each fiscal quarter presented due to increased sales volume, except for the decline in net revenue from the fiscal quarter ended March 31, 2019 to the fiscal quarter ended June 30, 2019. Historically, our net revenues have generally declined from the first fiscal quarter to the second fiscal quarter of each fiscal year due to seasonal factors. Specifically, shell egg demand tends to increase with the start of the school year and is highest prior to holiday periods, particularly Thanksgiving, Christmas and Easter, and lowest during the summer months.

### ***Quarterly Cost of Goods Sold Trends***

Our cost of goods sold is directly related to the amount of revenue that we generate and increases as our revenue increases. For the fiscal quarter ended September 29, 2019, our cost of goods sold also included an increase in market prices for the raw materials used in the production of butter. For the fiscal quarter ended December 29, 2019, our cost of goods sold included costs associated with commitments we made to reimburse farms for lost income in connection with the removal of birds from current flocks ahead of schedule due to changes in our projected product demand outlook. We included approximately \$1.6 million in expected payments to farms under these commitments to cost of goods sold for the fiscal quarter ended December 29, 2019. We do not anticipate incurring additional costs of this nature in connection with our long-term supply contracts; however, if our projected inventory levels exceed our projected product demand outlook, we may be required to further amend our long-term supply contracts to align with our product demand projections.

### ***Quarterly Gross Profit and Gross Margin Trends***

With the exception of the fiscal quarters ended September 29, 2019, December 29, 2019 and March 29, 2020, gross profit and gross margin in the periods presented continued to grow in conjunction with the increase in net revenues. Gross profit and gross margin increased significantly as compared to prior periods in the fiscal quarters ended March 31, 2019 and June 30, 2019 due to improved leveraging of fixed costs facilitated by higher production volumes. Gross margin decreased in the fiscal quarter ended March 29, 2020 due to a higher volume of eggs sold into the wholesale market at cost. We anticipate that gross profit and gross margin may fluctuate from quarter to quarter because of variability in our production volumes and product mix.

### ***Quarterly Operating Expense Trends***

With the exception of the fiscal quarters ended July 1, 2018 and December 30, 2018, our operating expenses have generally increased sequentially in each quarter presented primarily due to increases in employee related costs, which include increased headcount, increases in selling, general and administrative expenses incurred to support our growth and variable increases in our shipping and distribution expenses. Selling, general and administrative expenses varied quarter to quarter, primarily due to the timing of our brand marketing events, a litigation gain of \$1.0 million in connection with the settlement of a lawsuit in which we were the plaintiff in the fiscal quarter ended July 1, 2018 and a significant increase in costs in the fiscal quarter ended December 30, 2018 as a result of costs related to a brand marketing event and an increase in employee-related costs, which included the 2018 bonus accrual. Selling, general and administrative expenses increased sequentially throughout fiscal 2019 as a result of our increasing headcount to support our business growth. For fiscal 2018, shipping and distribution expenses fluctuated from quarter to quarter due to seasonal volume changes and inefficiencies in shipping and distribution that occurred in the fiscal quarter ended December 30, 2018. For fiscal 2019, quarterly shipping and distribution expenses fluctuated as a result of seasonal volume changes. We anticipate our operating expenses will continue to increase in absolute dollars in future periods as we invest in the long-term growth of our business and prepare to operate as a public company. Historical patterns should not be considered a reliable indicator of our future sales activity or performance.

## **Liquidity and Capital Resources**

Since inception, we have funded our operations with proceeds from sales of our capital stock, proceeds from borrowings and cash flows from the sale of our products. We had net income of \$1.9 million for the fiscal quarter ended March 29, 2020 and retained earnings of \$7.2 million as of March 29, 2020. We expect that our cash and cash equivalents, together with cash provided by our operating activities and proceeds from borrowings under our existing Credit Facility (as defined below), will be sufficient to fund our operating expenses for at least the next 12 months. Our future capital requirements will depend on many factors, including our pace of new and existing customer growth, our investments in innovation, our investments in partnerships and unexplored channels and the costs associated with our expansion of Egg Central Station. We may be required to seek

additional equity or debt financing. However, the COVID-19 pandemic continues to rapidly evolve and has already resulted in a significant disruption of global financial markets. If the disruption persists and deepens, we could experience an inability to access additional capital, which could in the future negatively affect our operations. In the event that we require additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in continued innovation and product expansion, we may not be able to compete successfully, which would harm our business, operations and financial condition.

### **Credit Facility**

Our Credit Facility with PNC Bank, National Association, or PNC Bank, includes a \$4.7 million initial term loan, a \$10.0 million revolving line of credit and an equipment loan with a maximum borrowing capacity of \$3.0 million. The Credit Facility was originally entered into in October 2017 and matures in October 2022.

In April 2018, we entered into amended loan agreements with PNC Bank, which we refer to as the First Amendment Loan and the Second Amendment Loan, respectively. The First Amendment Loan amended the Credit Facility to decrease the maximum borrowings under the equipment loan from \$1.5 million to \$750,000, and to waive existing events of default. The Second Amendment Loan amended the Credit Facility to modify various definitions and terms that were not significant.

In February 2019, we entered into the Third Amendment to our Credit Facility, which we refer to as the Third Amendment Loan. The Third Amendment Loan amended the Credit Facility to waive existing events of default.

In February 2020, we entered into the Fourth Amendment to our Credit Facility, which we refer to as the Fourth Amendment Loan. The Fourth Amendment Loan amended and waived certain terms and conditions under our Credit Facility and increased the maximum borrowing capacity of the Credit Facility to \$17.7 million. In addition, the Fourth Amendment Loan increased our maximum borrowing capacity under the equipment loan to \$3.0 million and extended the borrowing period for the equipment loan from October 2019 to October 2021.

The maximum borrowing capacity under the revolving line of credit is \$10.0 million. Interest on borrowings under the revolving line of credit, as well as on swing loan advances thereunder, accrues at a rate, at our election at the time of borrowing, equal to (i) LIBOR plus 2.0% or (ii) 1.0% plus the alternate base rate. As of March 29, 2020, there were \$5.2 million of outstanding borrowings under the revolving line of credit and the interest rate applicable to borrowings under the revolving line of credit was 4.25%.

The maximum borrowing capacity under the equipment loan is \$3.0 million, subject to certain restrictions. Any borrowings under the equipment loan from October 2018 through October 2021 will be due and payable beginning the following month with 36 monthly installments of principal due through October 2022, and all accrued and unpaid interest due October 2022. Interest on borrowings under the equipment loan accrue at a rate, at our election at the time of borrowing, equal to (i) LIBOR plus 2.75% or (ii) 1.75% plus the alternate base rate. As of March 29, 2020, there were \$2.0 million of outstanding borrowings under the equipment loan and the interest rate applicable to borrowings under the equipment loan was 4.83%.

In April 2020, we paid all amounts outstanding under the revolving line of credit using cash provided by operations.

In May 2020, we entered into the Fifth Amendment to our Credit Facility, which we refer to as the Fifth Amendment Loan. The Fifth Amendment Loan amended or waived certain terms and conditions under the Credit Facility and increased the maximum borrowing capacity of the Credit Facility to \$22.7 million. In addition, the Fifth Amendment Loan increased the maximum borrowing capacity under the revolving line of credit to \$15.0 million.

In June 2020, we entered into the Sixth Amendment to our Credit Facility, which we refer to as the Sixth Amendment Loan. The Sixth Amendment Loan amended certain terms and conditions under our Credit Facility and increased the maximum borrowing capacity of the Credit Facility to \$25.9 million. In addition, the Sixth

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Amendment Loan refinanced our term loan and provided for the borrowing of an additional \$5.0 million, resulting in the issuance of an amended and restated secured term loan note in the amount of \$7.9 million.

Borrowings under the amended and restated term loan are repayable in monthly installments of principal and interest, followed by a balloon payment of all unpaid principal and accrued and unpaid interest due July 2027. Interest on borrowings under the amended and restated term loan accrues at a rate, at our election at the time of borrowing, equal to (i) LIBOR plus 3.25% or (ii) 2.25% plus the sum of the Federal Funds Open Rate plus 50 basis points and the Daily LIBOR Rate plus 100 basis points. As of March 29, 2020, there was \$3.1 million outstanding under the term loan and the interest rate applicable to borrowings under the term loan was 4.51%; following our entry into the amended and restated term loan, as of June 28, 2020, there was \$7.9 million outstanding under the amended and restated term loan and the interest rate applicable to borrowings under the amended and restated term loan was 3.53%.

In July 2020, we entered into the Seventh Amendment to our Credit Facility, which we refer to as the Seventh Amendment Loan. The Seventh Amendment Loan amended the Credit Facility to modify various definitions and terms in anticipation of this offering.

The Credit Facility is secured by all of our assets and requires us to maintain two financial covenants: a fixed charge coverage ratio and a leverage ratio. The Credit Facility also contains various covenants relating to limitations on indebtedness, investments and acquisitions, mergers, consolidations, the sale of properties and liens and capital expenditures. In addition, the Credit Facility imposes limitations on our ability to pay dividends or distributions on any equity interests, declare any stock splits or reclassifications of our stock, apply any of our funds, property or assets to purchase, redeem or retire any of our equity interests, or to purchase, redeem or retire any of our options to purchase any of our equity interests. As a result of the limitations contained in the Credit Facility, all of the net assets on our unaudited condensed consolidated balance sheet as of March 29, 2020 are restricted in use. The Credit Facility contains other customary covenants, representations and events of default. As of March 29, 2020, we were in compliance with all covenants under the Credit Facility. See Note 11 to our consolidated financial statements and Note 9 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus for additional details related to our Credit Facility.

### Cash Flows

The following table summarizes our cash flows for the years indicated:

	Fiscal Year Ended			Fiscal Quarter Ended	
	December 31, 2017	December 30, 2018	December 29, 2019	March 31, 2019	March 29, 2020
			(in thousands)		
Net cash (used in) provided by operating activities	\$ (4,490)	\$ 11,424	\$ (5,352)	\$ 3,120	\$ 847
Net cash used in investing activities	(11,695)	(1,911)	(5,623)	(4,704)	(4,269)
Net cash provided by (used in) financing activities	14,289	(1,509)	434	\$ 6,730	3,859
Net (decrease) increase in cash and cash equivalents	<u>\$ (1,896)</u>	<u>\$ 8,004</u>	<u>\$ (10,541)</u>	<u>\$ 5,146</u>	<u>\$ 437</u>

### Operating Activities

In fiscal 2017, net cash used in operating activities was \$4.5 million, resulting primarily from net loss of \$2.1 million and increases in accounts receivable, prepaid expenses and other current assets, inventories and deposits and other assets of \$ 0.8 million, \$0.4 million, \$0.2 million, and \$0.1 million, respectively, partially offset by a decrease in accrued liabilities and other liabilities of \$2.6 million, non-cash charges of \$2.0 million and a decrease in accounts payable of \$0.3 million. The decreases in accounts payable and accrued and other liabilities were primarily due to the timing of vendor invoices and a decrease in payments made to our partner farms for lost income as a result of removing birds from current flocks ahead of schedule. The increases in accounts receivable were primarily due to increased sales as result of new distribution centers and a higher



turnover rate. The increases in prepaid expenses and other current assets were primarily due to a partial prepayment of a gain contingency in connection with a lawsuit settlement in which we were the plaintiff.

In fiscal 2018, net cash provided by operating activities was \$11.4 million resulting primarily from net income of \$5.6 million, an increase in accounts payable of \$4.9 million, an increase in accrued liabilities of \$2.9 million and non-cash charges of \$3.1 million, partially offset by an increase in accounts receivable of \$3.6 million, an increase in inventory of \$1.0 million, and an increase in prepaid expenses and other current assets of \$0.5 million. The increases in accounts payable and accrued expenses were primarily due to increases in a payment associated with an over recovery of promotions related to a customer and overall increase to inventory purchases and payroll related costs associated with our continued growth. The increases in accounts receivable were primarily due to new customers and distribution centers, in addition to increased orders from our existing customers, and the increases in prepaid expenses and other current assets were primarily due to our gain contingency in connection with our lawsuit settlement in which we were the plaintiff.

In fiscal 2019, net cash used in operating activities was \$5.4 million resulting primarily from net cash used in changes in our operating assets and liabilities of \$12.2 million, partially offset by noncash charges of \$3.5 million and net income of \$3.3 million. Net cash used in changes in our operating assets and liabilities for fiscal 2019 consisted primarily of increases in inventories, accounts receivable, income taxes receivable and prepaid expenses and other current assets of \$9.2 million, \$6.2 million, \$1.5 million and \$0.6 million, respectively, partially offset by increases in accounts payable of \$3.2 million and increases in accrued and other liabilities of \$2.1 million. The increases in accounts receivable were primarily due to new customers and distribution centers, in addition to increased orders from our existing customers, while the increases in inventories were primarily due to a significant increase in egg inventory and packaging inventory to support anticipated demand, and the increases in prepaid expenses and other current assets were primarily due to transaction costs associated with this offering. The increases in accounts payable were primarily due to increase in payments made to our partner farms for lost income as a result of removing birds from current flocks ahead of schedule and additional increases in shipping and packaging costs, and the increases in accrued liabilities were primarily due to timing of vendor invoices.

For the fiscal quarter ended March 31, 2019, net cash provided by operating activities was \$3.1 million resulting primarily from net income of \$4.0 million, non-cash charges of \$0.4 million, a decrease in accounts receivable of \$0.3 million, an increase in income taxes payable of \$1.3 million and a decrease in deposits and other assets of \$0.1 million, partially offset by a decrease in accrued and other liabilities of \$1.6 million, a decrease in accounts payable of \$0.6 million and an increase in inventory of \$0.8 million. The increase in income taxes payable was primarily driven by income from operations during the period and the decrease in accounts receivable was driven by accelerated collections on outstanding balances from existing customers. The decreases in accounts payable and accrued and other liabilities were primarily due to increases in payments associated with inventory purchases, payroll-related costs, and price concessions and promotional activities associated with our continued growth. The increase in inventory was driven by purchases to meet anticipated demand.

For the fiscal quarter ended March 29, 2020, net cash provided by operating activities was \$0.8 million resulting primarily from net income of \$1.9 million, non-cash charges of \$1.3 million, an increase in accounts payable of \$1.4 million, a decrease in inventories of \$0.7 million, a decrease in prepaid expenses and other current assets of \$0.6 million and a decrease in income taxes receivable of \$0.4 million, partially offset by a decrease in accrued and other liabilities of \$2.6 million and an increase in accounts receivable of \$2.9 million. The increase in accounts payable was primarily due to an increase in amounts due to growers and inventory purchases associated with shell egg contracts with our network of family farms. The decrease in prepaid expenses and other current assets was driven by the receipt of a refund from a marketing agency partner. The increases in accounts receivable were primarily due to heightened demand for our products from new and existing customers in connection with the COVID-19 pandemic, while the decreases in accrued and other liabilities were driven by increases in payments to our growers, payments of employee-related costs, payments related to purchases of property, plant and equipment, and payments of marketing costs and distribution fees.

***Investing Activities***

In fiscal 2017, net cash used in investing activities was \$11.7 million, resulting primarily from purchases of property, plant and equipment used in ongoing operations.

In fiscal 2018, net cash used in investing activities was \$1.9 million, resulting primarily from purchases of property, plant and equipment used in ongoing operations.

In fiscal 2019, net cash used in investing activities was \$5.6 million, resulting primarily from purchases of property, plant and equipment used in ongoing operations of \$4.8 million and net borrowings of \$0.8 million issued to related parties.

For the fiscal quarter ended March 31, 2019, net cash used in investing activities was \$4.7 million, resulting primarily from notes receivable provided to related parties of \$4.0 million and purchases of property, plant and equipment used in ongoing operations of \$0.7 million.

For the fiscal quarter ended March 29, 2020, net cash used in investing activities was \$4.3 million, resulting primarily from purchases of property, plant and equipment used in ongoing operations.

***Financing Activities***

In fiscal 2017, net cash provided by financing activities was \$14.3 million, which primarily consisted of \$11.1 million of proceeds from our issuance of Series D preferred stock, less issuance costs of \$0.1 million, proceeds of \$8.7 million under our Credit Facility, less debt issuance costs of \$0.2 million, and proceeds from the issuance of redeemable noncontrolling interest of \$0.2 million, partially offset by \$4.9 million of principal repayments in association with our existing loans, \$0.4 million of deferred royalty payments related to our 2014 acquisition of certain assets of Heartland Eggs, LLC, or Heartland Eggs, and \$0.1 million of principal payments under our capital lease obligations.

In fiscal 2018, net cash used in financing activities was \$1.5 million, primarily consisting of \$0.4 million of deferred royalty payments related to our 2014 acquisition of certain assets of Heartland Eggs, \$0.7 million of principal payments under our Credit Facility and \$0.4 million of principal payments under our capital lease obligations.

In fiscal 2019, net cash provided by financing activities was \$0.4 million, which primarily consisted of \$15.0 million of gross proceeds from our issuance of common stock to Manna Tree Partners, less issuance costs of \$0.9 million, proceeds of \$1.3 million and \$0.6 million under our revolving line of credit and equipment loan, respectively, and proceeds of \$0.2 million from the exercise of stock options, partially offset by our repurchase of common stock of \$14.3 million, \$0.7 million of principal repayments in association with our Credit Facility, \$0.4 million of deferred royalty payments related to our 2014 acquisition of certain assets of Heartland Eggs and \$0.4 million of principal payments under our capital lease obligations.

For the fiscal quarter ended March 31, 2019, net cash provided by financing activities was \$6.7 million, primarily consisting of gross proceeds from the issuance of common stock to Manna Tree Partners of \$7.5 million, partially offset by \$0.2 million of repayments under our Credit Facility, \$0.1 million of contingent consideration payments related to our 2014 acquisition of certain assets of Heartland Eggs, \$0.1 million of repayments of our capital lease obligations and \$0.4 million of payments for issuance costs associated with the issuance of common stock to Manna Tree Partners.

For the fiscal quarter ended March 29, 2020, net cash provided by financing activities was \$3.9 million, which primarily consisted of proceeds of \$5.4 million from borrowings under the Credit Facility, partially offset by our payment of deferred offering costs associated with this offering of \$1.2 million, \$0.2 million of repayments under our Credit Facility and \$0.1 million of repayments of our capital lease obligations.

## Non-GAAP Financial Measures

### Adjusted EBITDA

We report our financial results in accordance with GAAP. However, management believes that Adjusted EBITDA, a non-GAAP financial measure, provides investors with additional useful information in evaluating our performance.

We calculate Adjusted EBITDA as net (loss) income, adjusted to exclude: (1) depreciation and amortization; (2) provision for income taxes; (3) stock-based compensation expense; (4) interest expense; (5) interest income; (6) change in fair value of contingent consideration; and (7) net litigation settlement gain.

Adjusted EBITDA is a financial measure that is not required by, or presented in accordance with GAAP. We believe that Adjusted EBITDA, when taken together with our financial results presented in accordance with GAAP, provides meaningful supplemental information regarding our operating performance and facilitates internal comparisons of our historical operating performance on a more consistent basis by excluding certain items that may not be indicative of our business, results of operations or outlook. In particular, we believe that the use of Adjusted EBITDA is helpful to our investors as it is a measure used by management in assessing the health of our business, determining incentive compensation and evaluating our operating performance, as well as for internal planning and forecasting purposes.

Adjusted EBITDA is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. Some of the limitations of Adjusted EBITDA include that (1) it does not properly reflect capital commitments to be paid in the future, (2) although depreciation and amortization are non-cash charges, the underlying assets may need to be replaced and Adjusted EBITDA does not reflect these capital expenditures, (3) it does not consider the impact of stock-based compensation expense, (4) it does not reflect other non-operating expenses, including interest expense, (5) it does not consider the impact of any contingent consideration liability valuation adjustments and (6) it does not reflect tax payments that may represent a reduction in cash available to us. In addition, our use of Adjusted EBITDA may not be comparable to similarly titled measures of other companies because they may not calculate Adjusted EBITDA in the same manner, limiting its usefulness as a comparative measure. Because of these limitations, when evaluating our performance, you should consider Adjusted EBITDA alongside other financial measures, including our net income and other results stated in accordance with GAAP.

The following table presents a reconciliation of Adjusted EBITDA to net (loss) income, the most directly comparable financial measure stated in accordance with GAAP, for the periods presented:

	Fiscal Year Ended			Fiscal Quarter Ended	
	December 31, 2017	December 30, 2018	December 29, 2019	March 31, 2019	March 29, 2020
	(in thousands)				
Net (loss) income	\$ (2,145)	\$ 5,629	\$ 3,312	\$ 4,025	\$ 1,934
Depreciation and amortization	821	1,437	1,921	356	456
Provision for income tax	33	723	1,106	1,421	831
Stock-based compensation expense	495	600	1,029	143	448
Interest expense	524	424	349	86	158
Change in fair value of contingent consideration (1)	118	92	70	22	(23)
Interest income	(9)	(9)	(181)	(44)	(5)
Net litigation settlement gain (2)	—	(1,000)	(1,200)	(1,200)	—
Adjusted EBITDA	<u>\$ (163)</u>	<u>\$ 7,896</u>	<u>\$ 6,406</u>	<u>\$ 4,809</u>	<u>\$ 3,799</u>

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- (1) Amount reflects the change in fair value of a contingent consideration liability in connection with our 2014 acquisition of certain assets of Heartland Eggs.
- (2) For the fiscal year ended December 30, 2018, amount reflects an April 2018 gain in connection with the settlement of a lawsuit in which we were the plaintiff. For the fiscal year ended December 29, 2019 and the fiscal quarter ended March 31, 2019, amounts reflect a January 2019 gain in connection with the settlement of claims made pursuant to a lawsuit in which Ovabrite was the defendant and a countersuit in which Ovabrite was the plaintiff.

### Contractual Obligations and Commitments

The following table summarizes our contractual obligations as of December 29, 2019:

	Payments Due by Period				
	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	More than 5 Years
Long-term debt obligations (1)(2)	\$5,124	\$ 2,160	\$2,964	\$—	\$ —
Capital lease obligations	1,330	498	832	—	—
Operating lease commitments	2,725	1,012	933	694	86
Total	<u>\$9,179</u>	<u>\$ 3,670</u>	<u>\$4,729</u>	<u>\$694</u>	<u>86</u>

- (1) Reflects long-term debt obligations, including accrued interest calculated using interest rates of 5.75%, 4.64% and 4.44%, which are the applicable interest rates at December 29, 2019 for our revolving line of credit, term loan and equipment loan, respectively, under our Credit Facility.
- (2) As of March 29, 2020, we had \$5.2 million in borrowings under our revolving line of credit, which were classified as current obligations under current portion of long-term debt in our unaudited condensed consolidated balance sheets due to our ability and intent to repay the amounts within the next 12 months. We repaid all amounts outstanding under the revolving line of credit in April 2020.

We purchase our egg inventories under long-term supply contracts with farms. Purchase commitments contained in these arrangements are variable dependent upon the quantity of eggs produced by the farms. As a result, these commitments have been excluded from the contractual obligations disclosed above. In addition, substantially all of the long-term supply contracts with farms contain components that meet the definition of embedded leases under ASC Topic 840, *Leases*. As total purchase commitments contained under these arrangements are variable, the amount attributable to the lease component are contingent rentals, and there are no minimum lease payments associated with these long-term supply contracts. See Note 18 to our consolidated financial statements and Note 15 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus for additional details related to our long-term supply contracts with farms.

### Seasonality

Demand for shell eggs fluctuates in response to seasonal factors. Shell egg demand tends to increase with the start of the school year and is highest prior to holiday periods, particularly Thanksgiving, Christmas and Easter and the lowest during the summer months. As a result of these seasonal and quarterly fluctuations, comparisons of our sales and results of operations between different quarters within a single fiscal year are not necessarily meaningful comparisons.

### Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

## Critical Accounting Policies

We believe that the following accounting policies involve a high degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of our operations. See Note 2 to our consolidated financial statements and Note 2 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus for a description of our other significant accounting policies. The preparation of our consolidated financial statements in conformity with GAAP requires us to make estimates and judgments that affect the amounts reported in those financial statements and related notes thereto. The future effects of the COVID-19 pandemic on our results of operations, cash flows and financial position are unclear. However, we believe we have used reasonable estimates and assumptions in preparing the unaudited condensed consolidated financial statements. Although we believe that the estimates we use are reasonable, due to the inherent uncertainty involved in making those estimates, actual results reported in future periods could differ from those estimates.

### Revenue Recognition

Revenue for 2018 and 2017 is presented under Accounting Standards Codification, or ASC, Topic 605, *Revenue Recognition*, or Topic 605. Under Topic 605, we recognized revenue when all of the following criteria were met: (1) upon the transfer of title of the product, ownership, and risk of loss to the customer, which typically occurs upon delivery and acceptance of the product by customers; (2) collection of the relevant receivable is reasonably assured; (3) persuasive evidence of an arrangement exists; and (4) the sales price is fixed or determinable.

We periodically provide sales incentive to our customers, including rebates, temporary price reductions, off-invoice discounts, retailer advertisements, product coupons and other trade activities. We periodically provide chargebacks to our customers, which include credits or discounts to customers in the event that products do not conform to customer specifications or expire at a customer's site. We record a provision for sales incentives at the later of the date at which the related revenue is recognized or the sales incentive is offered. At the end of each accounting period, we recognize a liability for an estimated promotional allowance reserve. We treat chargebacks and discount offers, when accepted by customers, as a reduction of the sales price of the related transaction. Current discount and inducement offers are presented as a net amount in net revenue and are estimated using our historical experience for similar discounts and inducement offers.

Beginning on December 31, 2018, we adopted ASC Topic 606, *Revenue from Contracts with Customers* (Topic 606), or Topic 606, using the modified retrospective method applied to contracts which were not completed upon the adoption date. Our assessment efforts included an evaluation of revenue contracts with customers, related sales incentives and contract costs that were not complete as of December 31, 2018. The cumulative effect of applying the new standard did not have a material impact on our results of operations or financial position; therefore, there was no adjustment to previously reported results. We do not expect the adoption of Topic 606 to have a material impact in future periods. Under Topic 606, revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, we performed the following five steps:

- (i) Identify the contract(s) with a customer.

We consider the terms and conditions of our contracts and our standard business practices to identify contracts under Topic 606. We consider that we have a contract with a customer when the contract is approved, we can identify each party's rights regarding the products to be transferred, we can identify the payment terms for the products to be transferred, we have determined that the customer has the ability and intent to pay and the contract has commercial substance. We apply judgment in determining our customer's ability and intention to

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pay, which is based on a variety of factors, including the customer's credit worthiness, historical payment experience or, in the case of a new customer, credit and financial information pertaining to the new customer.

(ii) Identify the performance obligations in the contract.

Performance obligations promised in a contract are identified based on the products or services that will be transferred to the customer that are capable of being distinct, whereby the customer can benefit from the product or services either on their own or together with other resources that are readily available from third parties or from us and are distinct in the context of the contract, whereby the transfer of the products or services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised products or services, we apply judgment to determine whether promised products or services are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised products or services are accounted for as a combined performance obligation. Shipping and distribution activities occur prior to the transfer of control of a good are considered activities to fulfill our promise to deliver goods to the customers. Shipping and distribution activities are not a promised service, and therefore, are not a separate performance obligation.

(iii) Determine the transaction price.

We define the transaction price as the amount of consideration in a contract to which we expect to be entitled in exchange for transferring promised goods or services to a customer; amounts collected on behalf of third parties are excluded. Variable consideration is included in the transaction price, if, in our judgment, it is probable that no significant future reversal of cumulative revenue under the contract will occur. We determine the amount of variable consideration by using the expected value method or the most likely amount method. In addition, we account for consideration payable to customers such as sales incentives and slotting fees as a reduction in the transaction price.

(iv) Allocate the transaction price to the performance obligations in the contract.

We have no significant arrangements with multiple performance obligations. For contracts that contain a single performance obligation, we allocate the entire transaction price to the single performance obligation.

(v) Recognize revenue as the entity satisfies a performance obligation.

Revenue is recognized when control of the product is transferred to the customer and the related performance obligation is satisfied, which typically occurs upon delivery of the product to the customer, for an amount that reflects the net consideration we expect to receive in exchange for delivering the product.

### *Contract Costs*

We sometimes incur costs to obtain or fulfill a contract with a customer. We have applied the practical expedient in ASC 340-40-25-4 and record as an expense the incremental costs of obtaining contracts with customers in the period of occurrence when the amortization period of these costs is less than one year. For the year ending December 29, 2019 and the fiscal quarter ended March 29, 2020, all contract costs assessed upon the adoption of Topic 606 had an amortization period of less than one year.

### **Consolidation of Variable Interest Entities**

We consolidate all entities where there exists a controlling financial interest. We have considered our relationship with a certain entity to determine whether we have a variable interest in that entity and, if so, whether we are the primary beneficiary of the relationship. GAAP requires VIEs to be consolidated if an entity's interest in the VIE is a controlling financial interest. Under the variable interest model, a controlling financial interest is determined based on which entity, if any, has (1) the power to direct the activities of the VIE that most significantly impacts the VIEs economic performance and (2) the obligations to absorb losses that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

We perform ongoing reassessments of whether changes in the facts and circumstances regarding our involvement with a VIE would cause our consolidation conclusion to change. The consolidation status of the VIEs with which we are involved may change as a result of such reassessments. Changes in consolidation status are applied in accordance with GAAP.

### **Goodwill**

Goodwill represents the excess of cost over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Goodwill is not amortized but is tested for impairment annually on October 1 or more frequently if events or changes in circumstances indicate that the asset may be impaired. We first assess qualitative factors to determine whether events or circumstances existed that would lead us to conclude it is more likely than not that the fair value of the reporting unit is below its carrying amount. If we determine that it is more likely than not that the fair value of the reporting unit is below the carrying amount, a quantitative goodwill assessment is required. In the quantitative evaluation, the fair value of the reporting unit is determined and compared to the carrying value. If the fair value is greater than the carrying value, then the carrying value is deemed to be recoverable and no further action is required. If the fair value estimate is less than the carrying value, goodwill is considered impaired for the amount by which the carrying amount exceeds the reporting unit's fair value and a charge is reported as impairment of goodwill in our consolidated statement of operations. To date, we have not recorded any impairment charges associated with our goodwill.

### **Contingent Consideration**

In connection with our 2014 acquisition of certain assets of Heartland Eggs, we were required to make royalty payments to prior owners of certain assets of Heartland Eggs. The royalty payments are contingent on our future purchase of eggs from supplier contracts that were acquired in the acquisition. These purchases of eggs are contingent because the occurrence of purchases are not guaranteed and the timing and amount of purchases are unknown. Fair value of the contingent consideration liability was determined at the acquisition date using unobservable inputs. These inputs included projected financial information, market volatility, risk-adjusted discount rates and timing of contractual payments. Subsequent to the acquisition date, at each reporting date, the contingent consideration liability is remeasured to fair value with changes in fair value recorded within selling, general and administrative expenses in our consolidated statement of operations.

### **Stock-Based Compensation**

We measure stock-based awards granted to employees and directors based on their fair value on the date of the grant and recognize compensation expense for those awards over the requisite service period, which is generally the vesting period of the respective award. The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model, which requires inputs based on certain subjective assumptions, including the expected stock price volatility, the expected term of the option, the risk-free interest rate for a period that approximates the expected term of the option and our expected dividend yield. To date, we have issued stock-based awards with only service-based vesting conditions and record the expense for these awards using the straight-line method.

Effective January 1, 2019, we adopted ASU No. 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, or ASU 2018-07, which expands the scope of Topic 718 to include share-based payment awards to nonemployees. As a result, stock-based awards granted to consultants and non-employees are accounted for in the same manner as awards granted to employees and directors as described above. The impact of adoption of this new guidance did not have a material impact on our consolidated financial statements.

Prior to the adoption of ASU 2018-07, we recognized compensation expense for stock-based awards granted to consultants and non-employees over the shorter of the vesting period or the period during which services are

rendered by such consultants and non-employees until completed. At the end of each financial reporting period prior to completion of the service, the fair value of these awards is re-measured using the then-current fair value of our common stock and updated assumption inputs in the Black-Scholes option-pricing model.

### **Common Stock Valuations**

The fair value of the common stock underlying our stock-based awards has historically been determined by our board of directors, with input from management and after considering contemporaneous third-party valuations. We believe that our board of directors has the relevant experience and expertise to determine the fair value of our common stock. Given the absence of a public trading market of our common stock, and in accordance with the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held Company Equity Securities Issued as Compensation*, our board of directors exercised reasonable judgment and considered numerous objective and subjective factors to determine the best estimate of the fair value of our common stock at each grant date. These factors include:

- contemporaneous valuations of our common stock performed by independent third-party specialists;
- the prices, rights, preferences and privileges of our convertible preferred stock relative to those of our common stock;
- the prices of our common and convertible preferred stock sold to third-party investors by us and in secondary transactions or repurchased by us in arm's-length transactions;
- the lack of marketability of our common stock;
- our actual operating and financial performance;
- current business conditions and projections;
- hiring of key personnel and the experience of our management;
- the history of the company and the introduction of new products;
- our stage of development;
- the likelihood of achieving a liquidity event, such as an initial public offering, or a merger or acquisition of our company given prevailing market conditions;
- the market performance of comparable publicly traded companies; and
- the U.S. and global capital market conditions.

In valuing our common stock, our board of directors determined the equity value of our business using various valuation methods, including combinations of income and market approaches with input from management. The income approach estimates value based on the expectation of future cash flows that a company will generate. These future cash flows are discounted to their present values using a discount rate derived from an analysis of the cost of capital of comparable publicly traded companies in our industry or similar business operations as of each valuation date and is adjusted to reflect the risks inherent in our cash flows.

For each valuation, the equity value determined by the income and market approaches was then allocated to the common stock using either the option pricing method, or OPM. The option pricing method is based on a binomial lattice model, which allows for the identification of a range of possible future outcomes, each with an associated probability. The OPM is appropriate to use when the range of possible future outcomes is difficult to predict and thus creates highly speculative forecasts.

In addition, we considered any secondary transactions involving our capital stock. In our evaluation of those transactions, we considered the facts and circumstances of each transaction to determine the extent to which they represented a fair value exchange. Factors considered include transaction volume and timing, whether the transactions occurred among willing and unrelated parties, and whether the transactions involved investors with access to our financial information.



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Application of these approaches involves the use of estimates, judgment and assumptions that are highly complex and subjective, such as those regarding our expected future net revenue, expenses, future cash flows, discount rates, market multiples, the selection of comparable companies, and the probability of possible future events. Changes in any or all of these estimates and assumptions or the relationships between those assumptions impact our valuations as of each valuation date and may have a material impact on the valuation of our common stock.

For valuations after the completion of this offering, our board of directors will determine the fair value of the common stock underlying our stock-based awards based on the closing price of our common stock on Nasdaq as reported on the date of grant. Future expense amounts for any particular period could be affected by changes in our assumptions or market conditions.

Based on an assumed initial public offering price per share of \$16.00, the midpoint of the estimated offering price range set forth on the cover page of this prospectus, the aggregate intrinsic value of our outstanding stock options as of March 29, 2020 was approximately \$61.0 million, with approximately \$34.5 million related to vested stock options.

### **Recent Accounting Pronouncements**

See the sections titled “Summary of Significant Accounting Policies—Recently adopted accounting pronouncements” and “—Recently issued accounting pronouncements not yet adopted” in Note 2 to our consolidated financial statements included elsewhere in this prospectus for additional details.

### **Qualitative and Quantitative Disclosures about Market Risk**

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in raw materials, ingredients, inflation and interest rates.

#### **Raw Materials Pricing Risk**

The packaging materials used for our products include cardboard, glass, corrugated fiberboard, kraft paper, flexible plastic, flexible film and paperboard. These raw materials are subject to price fluctuations that may create price risk. A hypothetical 10% increase or decrease in the weighted-average cost of these raw materials as of March 29, 2020 would have resulted in an increase or decrease to cost of sales for the fiscal quarter ended March 29, 2020 of approximately \$0.4 million. We seek to mitigate the impact of raw materials cost increases by negotiating pricing agreements. We strive to offset the impact of raw materials cost increases with a combination of cost savings initiatives and efficiencies and price increases to our customers.

#### **Ingredient Risk**

We source our pasture-raised eggs and milk for our products from our network of small family farms. The price we pay to purchase shell eggs from farmers fluctuates based on pallet weight, and under our buy-sell contracts, which account for 98% of the laying hens in our network of family farms as of March 29, 2020, the price we pay is also indexed quarterly in arrears for changes in feed cost, which may cause our agreed-upon pricing under these contracts to fluctuate on a quarterly basis. Under the remainder of our contracts, we are directly responsible for purchasing feed. Either type of contract subjects us to risk of price fluctuations in feed ingredients, primarily consisting of corn and soy. We do not attempt to hedge against fluctuations in the prices of these ingredients by using future, forward, option or other derivative instruments. A hypothetical 10% increase or decrease in the weighted-average cost of these ingredients as of March 29, 2020 would have resulted in an increase or decrease to cost of sales for the fiscal quarter ended March 29, 2020 of approximately \$0.8 million. We strive to offset the impact of ingredient cost increases with a combination of cost savings initiatives and efficiencies and price increases to our customers.

### **Inflation Risk**

We do not believe that inflation has had a material effect on our business, results of operations or financial condition. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, results of operations and financial condition.

### **Interest Rate Risk**

We are subject to interest rate risk in connection with our Credit Facility. See the section titled “—Liquidity and Capital Resources—Credit Facility” above. Based on the average interest rate on the instruments under the Credit Facility during the fiscal year ended December 29, 2019 and the fiscal quarter ended March 29, 2020, and to the extent that borrowings were outstanding, we do not believe that a hypothetical 10% change in the interest rate would have a material effect on our results of operations or financial condition for fiscal 2019 and the fiscal quarter ended March 29, 2020.

Our interest-earning instruments also carry a degree of interest rate risk. As of March 29, 2020, we had cash and cash equivalents of \$1.7 million.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure.

### **Foreign Currency Exchange Risk**

All of our sales are denominated in U.S. dollars, and therefore our net revenue is not currently subject to significant foreign currency risk. We purchase certain equipment from foreign countries, and the cost related to this equipment is denominated in the currency of the applicable country. Additionally, to the extent our sourcing strategy changes or we commence generating revenue outside of the United States that is denominated in currencies other than the U.S. dollar, our results of operations could be impacted by changes in exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments, although we may choose to do so in the future. A hypothetical 10% change in the relative value of the U.S. dollar to other currencies would not have had a material effect on our results of operations for fiscal 2019 and the fiscal quarter ended March 29, 2020.

### **Emerging Growth Company Status**

In April 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an “emerging growth company” may take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Therefore, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to use the extended transition period under the JOBS Act. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

## LETTER FROM OUR FOUNDER & EXECUTIVE CHAIRMAN

In 1980, I purchased a small farm on the outskirts of San Antonio where I kept a small flock of happy hens that roamed freely. Coupled with a varied diet, the environment in which these hens were raised helped them to produce some of the best eggs I had ever eaten. In fact, when we moved back to the city several years later, I could never find eggs that tasted like the ones my “girls” had laid. That got me wondering: Is it possible to produce amazing food in an environmentally responsible and humane manner on a commercial scale? From this question, the Vital Farms story began.

Twenty five years later, my wife Catherine and I founded Vital Farms on a 27-acre plot of land in Austin, Texas. Armed with a bucket of good intentions, 20 Rhode Island Red hens and, later, a thousand baby chicks, we proved that it is possible to produce the highest-quality, humanely raised food at scale. Our first sales came from farmers markets and restaurants in the Austin area. Less than a year later, our delicious eggs were discovered by Whole Foods, who helped transform our backyard passion into a thriving business.

We began with the purpose of bringing ethically produced food to the table. We executed on our purpose by curating a collection of well-supported family farms to operate within a strictly defined set of agricultural practices that includes the humane treatment of farm animals as a central tenet. A decade later, we remain committed to expanding on our purpose and promoting the superior nature of Vital Farms products. We educate consumers to migrate them from their typical food choices and, by doing so, create opportunities for more family farms to benefit from our ethical, humane and sustainable business model.

Through the lens of Conscious Capitalism, taking care of our stakeholders is paramount to what we do. It is the fabric of our brand. With that in mind, we have established deep, sustainable, long-term relationships with approximately 200 small family farms. Our principles resonate with today’s consumers, who increasingly care about animal welfare, environmental responsibility and ethical values. As a result, our brand has grown exceptionally over the last decade to become the #1 U.S. pasture-raised, #1 U.S. natural channel and #2 U.S. overall egg brand by retail dollar sales, with a 76% share of the U.S. pasture-raised retail egg market for the 52-week period ending March 22, 2020.

Since our launch in 2007, we have grown to 20 retail SKUs across five product categories, most recently adding butter, hard-boiled eggs, ghee and liquid whole eggs to our portfolio. We offer our products through a multi-channel retail distribution network and have invested over \$19 million to create a highly efficient supply chain. Our premium and values-driven positioning engenders trust with consumers and makes Vital Farms a strategic and valuable brand for retailers. And, as we continue to build a trusted brand in eggs and butter, I am optimistic about the categories we could potentially disrupt to offer consumers and other stakeholders better options.

Our brand ethos of humane farming and ethically produced foods, coupled with our balanced focus on our stakeholders, has produced rewarding operational and financial results. Since the beginning of 2014, we have grown net revenue over 390%, entered our second major category, butter, and built our first state-of-the-art shell egg processing facility, Egg Central Station. For fiscal 2019, year-over-year net revenue was up approximately 32%, and we continue to see strong interest from farmers looking to become a part of our attractive supply chain. As we continue to grow and expand, we remain vigilant in upholding our values, which truly do inform every decision that we make.

I am extremely gratified and humbled to be working with a group of amazing stakeholders: the farmers and suppliers, customers and consumers, communities and the environment, crew members and stockholders that have collectively written the Vital Farms story to date. As we move to our next chapter, we will endeavor to continually earn and uphold the trust of all of our stakeholders each and every day – including you.

Matthew O’Hayer

*Founder & Executive Chairman*

## BUSINESS

### Our Company: Bringing Ethically Produced Food to the Table

Vital Farms is an ethical food company that is disrupting the U.S. food system. We have developed a framework that challenges the norms of the incumbent food model and allows us to bring high-quality products from our network of small family farms to a national audience. This framework has enabled us to become the leading U.S. brand of pasture-raised eggs and butter and the second largest U.S. egg brand by retail dollar sales. Our ethics are exemplified by our focus on the humane treatment of farm animals and sustainable farming practices. We believe these standards produce happy hens with varied diets, which produce better eggs. There is a seismic shift in consumer demand for ethically produced, natural, traceable, clean-label, great-tasting and nutritious foods. Supported by a steadfast adherence to the values on which we were founded, we have designed our brand and products to appeal to this consumer movement.

Our purpose is rooted in a commitment to Conscious Capitalism, which prioritizes the long-term benefits of each of our stakeholders (farmers and suppliers, customers and consumers, communities and the environment, crew members and stockholders). Our business decisions consider the impact on all of our stakeholders, in contrast with the factory farming model, which principally emphasizes cost reduction at the expense of animals, farmers, consumers, crew members, communities and the environment. These principles guide our day-to-day operations and, we believe, help us deliver a more sustainable and successful business. Our approach has been validated by our financial performance and our designation as a Certified B Corporation, a certification reserved for businesses that balance profit and purpose to meet the highest verified standards of social and environmental performance, public transparency and legal accountability.

### Our Ethical Decision-Making Model

Stakeholders	Guiding Principles
Farmers and Suppliers	<ul style="list-style-type: none"><li>Forming strong relationships with our network of approximately 200 small family farms, who are the foundation of our resilient and reliable supply chain</li></ul>
Customers and Consumers	<ul style="list-style-type: none"><li>Delivering the transparency and quality around food products that today's consumers demand</li></ul>
Crew Members	<ul style="list-style-type: none"><li>Empowering our crew members by investing in their financial security, development and overall well-being</li></ul>
Community and Environment	<ul style="list-style-type: none"><li>Investing in our community and being conscious stewards of the environment</li></ul>
Stockholders	<ul style="list-style-type: none"><li>Building a sustainable company for the long term by delivering stockholder value</li></ul>

We have scaled our brand through our strong relationships with small family farms and deliberate efforts to design and build the infrastructure to bring our products to a national audience. Today, with a network of approximately 200 family farms, we believe our ethically produced pasture-raised products have set the national standard for ethically produced food. We believe the success of our relationships with small family farms and the efficiency of our supply chain provide us with a competitive advantage in the approximately \$45 billion U.S. natural food and beverage industry, in which achieving reliable supply at a national scale can be challenging. In 2017, we opened Egg Central Station, a shell egg processing facility in Springfield, Missouri, which is centrally located within our network of family farms. Egg Central Station is capable of packing three million eggs per day and has achieved Safe Quality Food or SQF, Level 3 certification, the highest level of such certification from the Global Food Safety Initiative, or GFSI. In addition, Egg Central Station is the only egg facility, and we are one of only six companies, globally to have received the SQF Institute, or SQFI, Select Site certification, indicating that the site has voluntarily elected to undergo annual unannounced recertification audits by SQFI, the organization responsible for administering a global food safety and quality program known as the SQF Program. The design of Egg Central Station includes investments in support of each of our stakeholders, from our crew members (daylighting, climate control, slip resistant floors in the egg grading room), to the community and environment (consulting with the community before we built the facility, restoring native vegetation on the property, best-in-class storm water management), to our customers and consumers (food safety and maintenance investments far beyond regulatory requirements). We believe owning and operating this important element of our supply chain is a key differentiator and provides us with a competitive advantage, which we intend to continue to leverage to grow both our net revenue and gross margin.

Our loyal and growing consumer base has fueled the expansion of our brand from the natural channel to the mainstream channel and facilitated our entry into the foodservice channel. As of March 2020, we offer 20 retail SKUs through a multi-channel retail distribution network across more than 13,000 stores. Our products generate stronger velocities and, we believe, greater profitability per unit for our retail customers in key traffic-generating categories as compared to products offered by our competitors. We believe we have significant room for growth within the retail and, in the medium- to long-term, foodservice channels and can capture this opportunity by growing brand awareness and through new product innovation. We also believe there are incremental growth opportunities in additional distribution channels, including the convenience, drugstore, club, military and international markets, which we may access along with retail growth opportunities to enable us to continue our net revenue growth.

We have built a sustainable company founded on ethically produced products that increasingly resonate with consumers. Our trusted brand and Conscious Capitalism-focused business model have resulted in significant growth. We have increased net revenue from \$1.9 million in fiscal 2010 to \$140.7 million in fiscal 2019, which represents a 61% CAGR. From fiscal 2017 to fiscal 2019, we grew net revenue by 90% and the number of stores carrying our products increased by 50%. Going forward, we expect the consumer movement away from factory farming practices will continue to fuel demand for ethically produced food. According to a 2018 survey of nearly 30,000 international consumers, 62% want brands to have ethical values and demonstrate authenticity in all parts of their business. We believe these demands extend to the food industry and that consumers are recognizing the benefits of pasture-raised egg and dairy products. Management is committed to ensuring our values remain aligned with those of our consumers while delivering stockholder value.

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Evidence of our historical success in continuing to scale our business is shown in the graphics below. All dates refer to the year ended December 31, except for 2018 and 2019, which refer to the fiscal year ended December 30 and December 29, respectively.

### Number of Stores



### Net Revenue \$MM



### Gross Profit \$MM



## **Our History**

Matthew O'Hayer and his wife Catherine Stewart founded Vital Farms in 2007 on a 27-acre plot of land in Austin, Texas. Armed with a small flock of hens, they maintained a strong belief that a varied diet and better animal welfare practices would lead to superior eggs. Our first sales came from farmers markets and restaurants around Austin and, less than a year later, our eggs were discovered by Whole Foods. Matt and Catherine saw the opportunity to do something more than sell eggs to a few stores. They chose to build a sustainable company that aligned with the family farming community and was able to profitably deliver quality products to a devoted consumer base. As our business has continued to grow, our model remains rooted in trust and mutual accountability with our farmers, who are and will remain core to our business.

In 2014, our current president and chief executive officer, Russell Diez-Canseco, joined Vital Farms and led the development of our large and scalable network of family farms. In 2015, recognizing the opportunity to elevate our production process and bolster long-term growth and profitability, we began the design process for Egg Central Station, which opened in 2017 in Springfield, Missouri. We meticulously designed Egg Central Station in service of all of our stakeholders by improving on the best practices we observed across numerous world-class facilities. Today, Egg Central Station is capable of packing three million eggs per day and has achieved SQF Level 3 certification, the highest level of such certification from the GFSI. In addition, Egg Central Station is the only egg facility, and we are one of only six companies, globally to have received the SQFI Select Site certification.

Demand for our high-quality products has enabled us to expand our brand beyond the natural channel and into the mainstream channel through relationships with Albertsons, Kroger, Publix, Target, Walmart and numerous other national and regional food retailers. As of March 2020, our ethically produced pasture-raised products are sold in more than 13,000 stores nationwide. Over the course of our journey, our founder, Matthew O'Hayer, has continued to inform our strategic vision and remains intimately involved with the business as our executive chairman, going so far as to personally read and ensure a written response to each email and letter we receive from our loyal consumers.

## **Our Purpose**

Our purpose is to bring ethically produced food to the table. We do this by partnering with family farms that operate within our strictly defined set of ethical food production practices. We are motivated by the influence we have on rural communities through creating impactful, long-term business opportunities for small family farmers. Moreover, we are driven to stand up for sustainable production practices that have been largely cast aside under the factory farming system. In our view, this system has been consistently misguided, focused on producing products at lowest cost rather than driving long-term and sustainable benefits for all stakeholders.

Since inception, our values have been rooted in the principles of Conscious Capitalism. We believe managing our business in the best interest of all of our stakeholders will result in a more successful and sustainable enterprise. A key premise of our business model is our consumer-centric approach, which focuses on identifying consumer needs and developing products that address these needs. While remaining committed to ethical decision-making, we have achieved strong financial performance and earned the Certified B Corporation designation, reflecting our role as a contributor to the global cultural shift toward redefining success in business in order to build a more inclusive and sustainable economy. We believe our consumers connect with Vital Farms because they love our products, relate to our values and trust our practices.

## **Industry Overview**

We operate in the large and growing U.S. natural food and beverage industry that, according to SPINS, LLC data, was projected to generate total retail sales of approximately \$47.2 billion in 2019, accounting for approximately 10.5% of total projected food and beverage sales, and was projected to grow at a 6.4% CAGR between 2017 and 2019, outpacing total projected food and beverage growth of 1.9% over the same period. Consumer awareness of the negative health, environmental and agricultural impacts of processed food and factory farming standards has resulted in increased consumer demand for ethically produced food. We believe this trend has had a meaningful impact on the growth of the natural food industry, which is increasingly penetrating the broader U.S. food market as mainstream retailers respond to consumer demand. We believe increased demand for natural food and a willingness to pay a premium for brands focused on transparency, sustainability and ethical values will continue to be a catalyst for our growth.

According to SPINS, LLC data, the U.S. shell egg market in 2019 accounted for approximately \$5.4 billion in retail sales and has grown at a CAGR of 3.4% between 2017 and 2019. Our relatively low household penetration of 2%, or approximately 2.5 million U.S. households based on estimated U.S. census data, compared to the shell egg category penetration of approximately 93%, provides a significant long-term growth opportunity for our business. According to SPINS, LLC data, the U.S. pasture-raised retail egg market in 2019 accounted for approximately \$177.0 million in retail sales and has grown at a CAGR of 31.7% between 2017 and 2019, while the specialty egg (including pasture-raised, free-range and cage-free) market in 2019 accounted for approximately \$1.0 billion in retail sales and has grown at a CAGR of 7.5% between 2017 and 2019. Additionally, we estimate that the U.S. processed egg market in 2019 accounted for approximately \$2.7 billion in retail sales. According to SPINS, LLC data, the U.S. butter market in 2019 accounted for approximately \$3.3 billion in retail sales and has grown at a CAGR of 2.7% between 2017 and 2019. We believe the strength of our platform, coupled with significant investments in our crew members and infrastructure, position us to continue to deliver industry-leading growth across new and existing categories.

## **Our Strengths**

### **Trusted Brand Aligned with Consumer Demands**

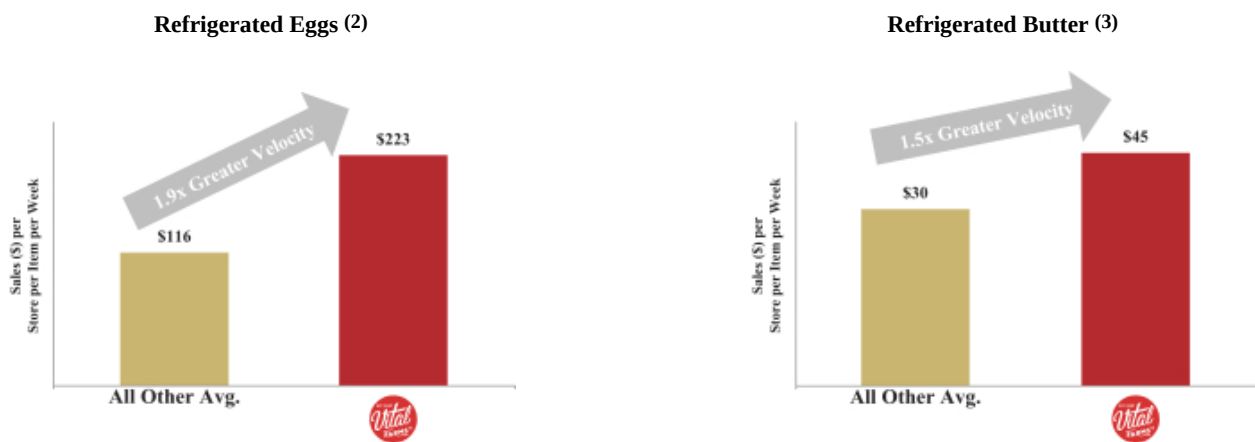
We believe consumers have grown to trust our brand because of our adherence to our values and a high level of transparency. We have positioned our brand to capitalize on growing consumer interest in natural, clean-label, traceable, ethical, great-tasting and nutritious foods. Growing public awareness of major issues connected

to animal farming, including human health, climate change and resource conservation, is closely aligned with our ethical mission. We believe consumers are increasingly focused on the source of their food and are willing to pay a premium for brands that deliver transparency, sustainability and integrity. As a company focused on driving the success of our stakeholders, our brand resonates with consumers who seek to align themselves with companies that share their values. Through our Vital Times newsletter and social media presence, we cultivate and support our relationship with consumers by communicating our values, building trust and promoting brand loyalty. For example, a survey we conducted in November 2019 found that 31% of our consumers surveyed insist on purchasing our egg brand and would not purchase another in its place.

**Strategic and Valuable Brand for Retailers**

Our historical performance has demonstrated that we are a strategic and valuable partner to retailers. We have innovated and grown into adjacent food categories while reaching a broad set of consumers through a variety of retail partners, including Albertsons, Kroger, Publix, Target and Walmart. As of March 2020, we are the number one or two egg brand by retail dollar sales for branded eggs with key customers such as Kroger, Sprouts and Target. We believe the success of our brand demonstrates that consumers are demanding premium products that meet a higher ethical standard. We have expanded into the mainstream channel while still continuing to command premium prices for our ethically produced products, which sell for as much as three times the price of commodity eggs. We believe that our products are more attractive to retail customers because they help generate growth, deliver strong gross profits and drive strong velocities, as represented by the natural channel velocities depicted below.

**Vital Farms Natural Channel Velocity versus All Other Competitors (1)**



Source: Refrigerated Eggs & Refrigerated Butter - SPINS, LLC Natural Channel, 52 Weeks Ending March 22, 2020

- (1) Channel Velocity (\$ / Store / Item / Week) is defined as weekly sales per item of our products sold in retailers included in the Natural Channel.
- (2) Refrigerated egg competitors represent shell eggs in the Natural Channel.
- (3) Refrigerated butter competitors represent butter brands in the Natural Channel, excluding clotted cream and clarified butter.

**Supply Chain Rooted in Commitment to Our Stakeholders**

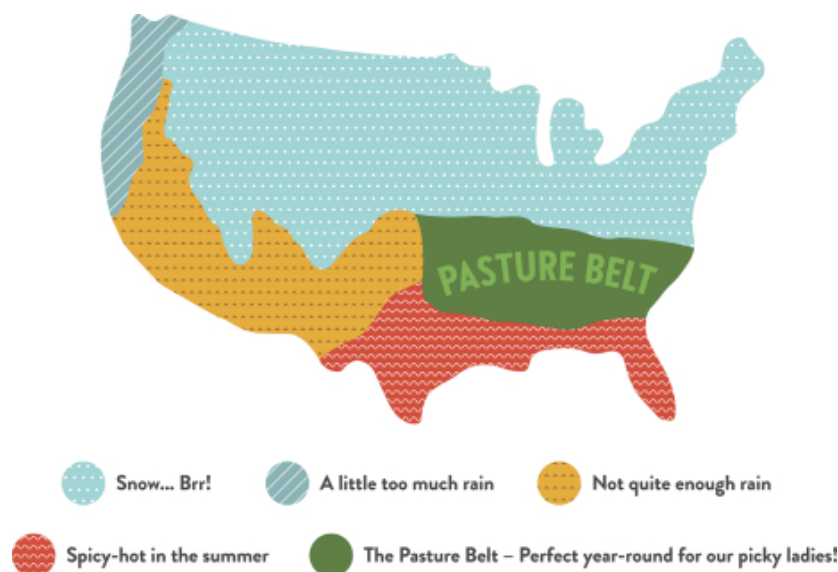
Our ongoing commitment to the social and economic interests of our stakeholders guides our supply chain decisions. We carefully select and partner with family farms in the Pasture Belt, the U.S. region where pasture-raised eggs can be produced year-round. We establish supply contracts that we believe are attractive for all parties, demonstrate our commitment to our network of small family farms through educational programs that transfer critical best practice knowledge, and pay farmers competitive prices for high-quality pasture-raised eggs.



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We believe our commitment to farmers facilitates more sustainable farm operations and significantly reduces turnover. Our network of small family farms gives us a strategic advantage through a scaled and sustainable supply chain and allows us to go to market with the highest quality pasture-raised premium products.

### Map of the Pasture Belt



### Experienced and Passionate Team

We have an experienced and passionate executive management team that we refer to as the “C-crew,” which has approximately 60 years of combined industry experience and includes our president and chief executive officer, Russell Diez-Canseco, a seasoned food industry expert with over 16 years of relevant experience, including at H-E-B, a privately held supermarket chain. Our C-crew works in partnership with Matthew O’Hayer, our founder and executive chairman, who continues to inform our strategic vision with the entrepreneurial perspective gained through over 40 years of building businesses. We also have a deep bench of talent with strong business and operational experience, and crew members at all levels of our organization are passionate about addressing the needs of our stakeholders. We have leveraged the experience and passion of our C-crew, our founder and executive chairman, and our other crew members to grow net revenue over 390% since the beginning of 2014, enter our second major food category, butter, and build our first shell egg processing facility, Egg Central Station.

### Our Growth Strategies

We believe our investments in our brand, our stakeholders and our infrastructure position us to continue delivering industry-leading growth that outpaces both the natural food industry and the overall food industry.

### Expand Household Penetration through Greater Consumer Awareness

Critical to the success of our mission is our ability to share the Vital Farms story with a broader audience. By educating consumers about our brand, our values and the premium quality of our products, we intend to

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increase our household penetration. Our relatively low household penetration of 2% for our pasture-raised shell eggs, compared to the shell egg category penetration of approximately 93%, shows that expanding the national presence of our brand offers a significant runway for future growth.

We are well positioned to increase household penetration of our products given their alignment with consumer trends and approachability with consumers. We intend to increase the number of consumers who buy our products by using digitally integrated media campaigns, social media tools and other owned media channels. We believe these efforts will educate consumers on our ethical values and the attractive attributes of our pasture-raised products, generate further demand for our products and ultimately expand our consumer base.

### **Grow Within the Retail Channel**

By leveraging greater consumer awareness and demand for our brand, we believe there is significant opportunity to grow volume with existing retail customers. Our products generate stronger velocities and, we believe, greater profitability per unit for our retail customers in the categories in which we compete. By capturing greater shelf space, driving higher product velocities and increasing our SKU count, we believe there is meaningful runway for further growth with existing retail customers. Beyond our existing retail footprint, we believe there is significant opportunity to gain incremental stores from existing retail customers as well as to add new retail customers. We also believe there are significant further long-term opportunities in additional distribution channels, including the convenience, drugstore, club, military and international markets.

### **Expand Footprint across Foodservice**

We believe there is significant demand for our products in the foodservice channel. We see significant opportunity for medium- to long-term growth in this channel through sales to foodservice operators supported by joint marketing and advertising. Our brand has a differentiated value proposition with consumers, and we believe consumers are increasingly demanding ethically produced ingredients when they eat outside of the home. We believe that more consumers will look for our products on menus, particularly with foodservice partners whose values are aligned with our own, and that on-menu branding of our products as ingredients in popular meals and menu items will drive traffic and purchases in the foodservice channel. An example of our recent foodservice growth initiative is our relationship with Tacodeli, which sells breakfast tacos made exclusively with our pasture-raised shell eggs across 11 restaurant locations and more than 60 points of distribution, such as coffee shops and farmers market stands, across Texas. We believe branded foodservice offerings will further drive consumer awareness of our brand and purchase rates of our products in the retail channel.

### **Extend Our Product Offering through Innovation**

The successes of our core products have confirmed our belief that there is significant demand for pasture-raised and ethically produced food products. We expect to continue to extend our product offerings through innovation in both new and existing categories, including with our anticipated future launch of pasture-raised egg bites. In 2018, we launched the only pasture-raised hard-boiled eggs in the U.S. market, and in 2019, we launched both ghee and liquid whole eggs, the latter of which are the only pasture-raised liquid whole eggs in the U.S. market. The success of our product portfolio and our proprietary consumer surveys confirm our belief that there is significant demand for our brand across a wide spectrum of food categories. Within this broader market, we believe the U.S. refrigerated value-added dairy category represents a total addressable market of \$33.2 billion and is the closest adjacency and best near-term opportunity for our brand. We have several products in our innovation pipeline that we believe will be successful in these adjacent markets.

## Product Overview

We currently produce five pasture-raised products sourced from animals raised on small family farms: shell eggs, butter, hard-boiled eggs, ghee and liquid whole eggs.

Our original and core product is pasture-raised shell eggs. We defined the pasture-raised egg category by following European-rooted standards codified by the Certified Humane Program, which require each hen to have at least 108 square feet of land and daily outdoor access. Our pasture-raised shell eggs are ethically produced and our consumers consistently tell us that they provide a richer taste and color than other eggs on the market. The retail varieties of our pasture-raised shell eggs are based on supplemental feed type (certified organic, non-GMO project verified and conventional), egg size (medium, large, extra large and jumbo) and pack size (6, 12 and 18 count).

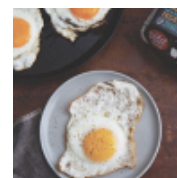
In 2015, we saw an opportunity in the U.S. refrigerated value-added dairy market for premium, pasture-raised butter with artisanal qualities, such as higher butterfat content, sea salt and traditional slow-churn methods. Our consumer research and basket analysis also identified butter as a highly complementary product category to eggs in terms of usage and buyer profile. Today, we offer unsalted and sea salted varieties of our pasture-raised butter, which has 85% butterfat and is sold in two-stick packs.

In March 2018, we launched pasture-raised hard-boiled eggs to broaden the appeal of our brand and satisfy an incremental usage occasion – ready-to-eat snacking. That launch was quickly followed by the introduction of our pasture-raised liquid whole eggs in August 2019. We currently provide the only pasture-raised liquid whole egg in the estimated \$3 billion U.S. processed egg market, which has seen little innovation in decades and has traditionally been dominated by egg whites.

In February 2019, we introduced pasture-raised ghee, followed in August 2019 by the release of a first of its kind ghee in a squeeze bottle format. Our pasture-raised ghee meets the standards consumers expect from the Vital Farms brand, with original and pink Himalayan salt varieties.

Motivated by our mission, our success and our customers' feedback, we continue to innovate and expand our product offering to address growing consumer demand for pasture-raised and ethically produced products. For example, our next anticipated product offering includes pasture-raised egg bites made with ethically sourced ingredients like pasture-raised eggs and cheese, humanely raised meats, and vegetables, and will be gluten-free. The egg bites are expected to be available in four flavors: uncured bacon and cheddar cheese; roasted red pepper and mozzarella cheese; ham, bell peppers, onions and cheddar cheese; and sun-dried tomato, basil and mozzarella cheese. Each package will contain two fully cooked egg bites and will be able to be warmed directly in the microwave for a convenient and high protein breakfast or snack.

PASTURE-RAISED SHELL EGGS



PASTURE-RAISED BUTTER



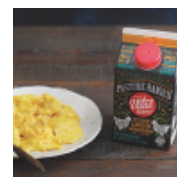
PASTURE-RAISED HARD-BOILED EGGS



PASTURE-RAISED GHEE



PASTURE-RAISED LIQUID WHOLE EGGS



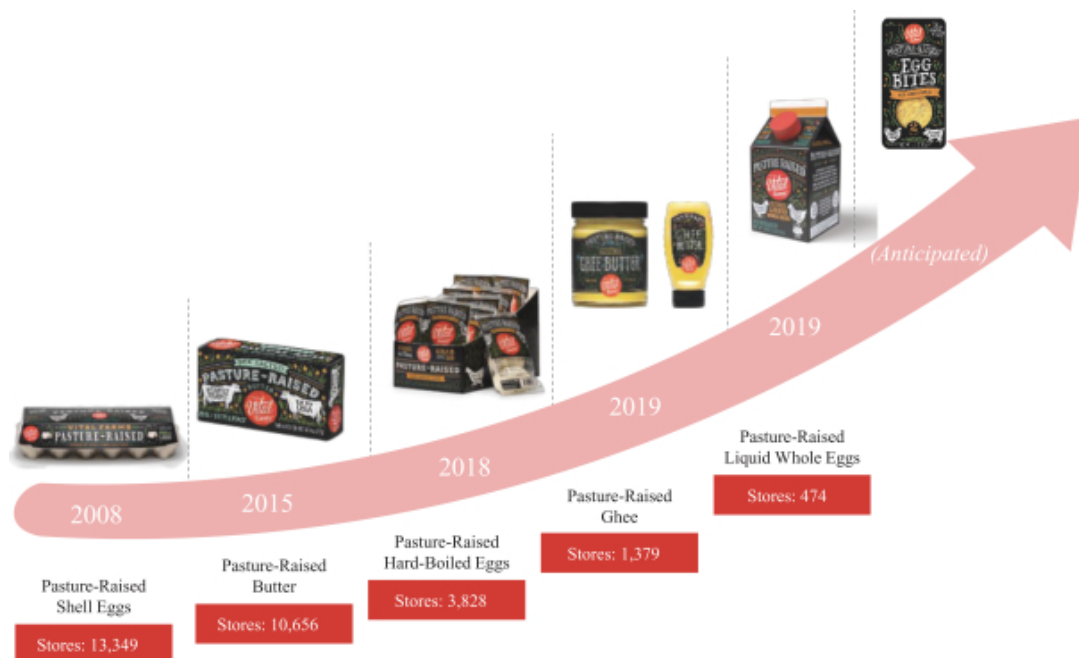
PASTURE-RAISED EGG BITES



### Innovation

The successes of our core products have confirmed our belief that there is significant demand for pasture-raised and ethically produced food products. We expect to continue to extend our product offerings through innovation in both existing and new categories, including with our anticipated future launch of pasture-raised egg bites. We have a dedicated product development team that leverages comprehensive consumer insights and trend data to provide innovative solutions and ideas that meet new consumer needs and usage occasions. We also have a proven innovation model that utilizes a trusted network of partners to bring products to market without requiring significant upfront investment. We are committed to building on the success of our recent product launches and continuing to introduce consumers to our expanding range of ethically produced food products.

#### Demonstrated Track Record of Portfolio Expansion



*Note: Store count figures as of March 22, 2020.*

### Marketing

Our multi-faceted, consumer-centric marketing strategy has been instrumental in building our brand and driving net revenue. Our marketing strategy is aimed at solidifying our brand’s positioning as a leading provider of ethically produced food. We execute on this strategy by advertising through digitally integrated media campaigns, social media tools and other owned media channels. Our brand’s standout packaging has been a signature communication vehicle since our inception. We maintain a presence across all major social media platforms.

Under the leadership of our chief marketing officer, Scott Marcus, our brand has grown rapidly into the #1 U.S. pasture-raised, #1 U.S. natural channel and #2 U.S. overall egg brand by retail dollar sales, with a 76%

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share of the U.S. pasture-raised retail egg market for the 52-week period ending March 22, 2020. Our brand awareness is represented by a strong social media following, with approximately 84,000 Instagram followers. Building on prior success, we will continue to invest in the brand through digitally integrated national media campaigns and build customer loyalty through other media formats, including our quirky Vital Times newsletter, now in its tenth year of print, which is placed in each egg carton. During the past two years, we have circulated over 57 million copies of our Vital Times newsletter.

Building upon a landscape of shifting consumer preferences, we are focused on reaching new consumers to educate them about our ethically focused value proposition. We work continuously to understand our consumers and leverage those insights to develop impactful communication plans and messaging. We remain focused on deploying our sophisticated marketing capabilities and world-class sales team to ensure that both customers and consumers understand the Vital Farms story.

### **Our Customers**

We market our products throughout the United States with the majority of our net revenue coming from our pasture-raised egg products. As of March 2020, we currently distribute through third parties and direct to retailers to reach more than 13,000 stores. With significant expansion in recent years, our retail sales are evenly distributed between the natural channel and mainstream channel. Because of our brand equity, loyal consumer base and expanding line of high-quality products, we believe there are attractive growth opportunities across these channels, in addition to a sizable opportunity in the foodservice channel in the medium- to long-term. We believe there are also incremental growth opportunities in additional distribution channels, including the convenience, drugstore, club, military and international markets, which we may access, along with retail growth opportunities, to enable us to continue our net revenue growth.

#### ***Natural Channel***

Natural channel retailers, including Whole Foods and Sprouts, represented approximately 52%, 49% and 47% of our retail dollar sales in fiscal years 2017, 2018 and 2019, respectively, and approximately 55% and 51% of our retail dollar sales in the fiscal quarters ended March 31, 2019 and March 29, 2020, respectively.

#### ***Mainstream Channel***

Widespread consumer demand for high-quality and traceable foods has driven our expansion into the mainstream channel with national retailers, including Albertsons, Kroger, Publix, Target and Walmart. We began selling eggs in select Kroger divisions in 2014. Since that time, Kroger has grown to become our second largest customer, offering our products in over 2,000 stores. We also continue to expand our relationships with Albertsons, Publix, Target and Walmart. The mainstream channel represented approximately 48%, 51% and 53% of our retail dollar sales in fiscal years 2017, 2018 and 2019, respectively, and approximately 45% and 49% of our retail dollar sales in the fiscal quarters ended March 31, 2019 and March 29, 2020, respectively.

#### ***Foodservice Channel***

In addition to our primary natural and mainstream channels, we have a presence in foodservice through the sale of shell eggs to select accounts. We expect our foodservice business to continue to grow in the medium- to long-term through expansive new relationships with broad-line distributors, as well as direct accounts. In fiscal years 2017, 2018 and 2019, the foodservice channel accounted for approximately 4%, 2% and 2%, respectively, of our net revenue. In the fiscal quarters ended March 31, 2019 and March 29, 2020, the foodservice channel accounted for approximately 2% and 3%, respectively, of our net revenue. Our established foodservice relationships help to extend our marketing efforts through unique co-branding opportunities. We plan to continue to capitalize on these opportunities as we work to introduce new products through the foodservice channel.

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One example of our successful foodservice programs is Tacodeli, a popular chain based in Austin, Texas with 11 restaurant locations and more than 60 points of distribution, such as coffee shops and farmers market stands, across Texas. In the spring of 2019, Tacodeli committed to exclusively using Vital Farms eggs for its breakfast tacos, branded with our logo on menus and taco wrappers. We have also built a marketing partnership with Tacodeli to demonstrate the quality of our co-branded offering and to increase consumer awareness of our brands via social media, public relations and other events.

### **Vital Farms and Tacodeli Co-Branding**



Our products can also currently be found in micro-markets in the Austin, Texas offices of Apple Inc., Facebook, Inc., Google LLC and YETI. We also believe there is significant additional opportunity in the hospitality industry, college and universities, and additional restaurant chains.

### **Supply Chain**

We have strategically designed our supply chain to ensure high-production standards and optimal year-round operation. We are motivated by the positive impact we have on rural communities and enjoy a strong relationship and reputation with our network of approximately 200 small family farms. In order to capitalize on this strong supply network, we built a state-of-the-art shell egg processing facility, Egg Central Station in Springfield, Missouri. Egg Central Station is approximately 82,000 square feet and utilizes highly automated equipment to grade and package our shell egg products. The design of our facility includes investments in support of each of our stakeholders, from our crew members (daylighting, climate control, slip resistant floors in the egg grading room), to the community and environment (consulting with the community before we built the facility, restoring native vegetation on the property, best-in-class storm water management), to our customers and consumers (food safety and maintenance investments far beyond regulatory requirements). Today, Egg Central Station is capable of packing three million eggs per day and has achieved SQF Level 3 certification, the highest level of such certification from the GFSI. In addition, Egg Central Station is the only egg facility, and we are one of only six companies, globally to have received the SQFI Select Site certification, indicating that the site has voluntarily elected to undergo annual unannounced recertification audits by SQFI, the organization responsible for administering a global food safety and quality program known as the SQF Program. To facilitate further growth, we have established a plan to double the capacity of Egg Central Station through a mirror-image expansion adjacent to the existing location.

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Our eggs are kept in on-farm coolers using precise equipment specified by us. The eggs are then collected on a regular basis by a third-party freight carrier and placed in cold storage until packing for shipment to customers. Each of our butter, ghee, hard-boiled eggs and liquid whole egg products have a dedicated co-manufacturing partner. To support the growth of our business, we are focused on expanding existing relationships and establishing new co-manufacturing relationships.

Our egg packaging consists primarily of corrugated boxes and egg cartons, and we use a limited amount of recycled plastic packaging. Our corrugated boxes are sourced from a supplier in Springfield, Missouri, our egg cartons are sourced from Canada and Europe from a single-source supplier and our recycled plastic packaging is sourced from Mexico from a single-source supplier. Our other products are packaged in jars, bottles, film and cartons that are primarily managed by our co-manufacturing partners. In every case we strive to find the most sustainable and environmentally considered packaging, shipping materials and inks.

### **Competition**

We operate in a highly competitive environment across each of our product categories. We have numerous competitors of varying sizes, including producers of private-label products, as well as producers of other branded egg and butter products that compete for trade merchandising support and consumer dollars. We compete with large egg companies such as Cal-Maine, Inc. and large international food companies such as Ornuia (Kerrygold). We also compete directly with local and regional egg companies, as well as private-label specialty egg products processed by other egg companies. In our market, competition is based on, among other things, product quality and taste, brand recognition and loyalty, product variety, product packaging and package design, shelf space, reputation, price, advertising, promotion and nutritional claims.

Shell eggs may be sourced from hens that are caged, cage free, free range or pasture raised. Large egg companies offer commodity eggs sourced from caged hens, and in an attempt to address growing consumer demand for ethically produced and higher quality eggs, they have also grown their cage-free and free-range offerings.

Although we operate in competitive industries, we believe that we have a strong and sustainable competitive advantage based on an ongoing process of values-driven decisions, our fundamental commitment to producing food ethically and humanely, the trust we have developed in our brand, and our ability to provide reliable supply to our distribution partners and customers. We built and operate what we believe is one of the largest sourcing and distribution networks of family farms with strong growth potential. By focusing on the interests of each of our stakeholders, we believe we have created a model that attracts the best family farm partners, produces the highest quality product and creates benefits for all parties. We believe our experience in building this network will provide significant scale and execution advantages as we continue to expand.

### **Government Regulation**

We are subject to laws and regulations administered by various federal, state and local government agencies in the United States, such as the USDA, the FDA, the FTC, the EPA and the OSHA. These laws and regulations apply to the processing, packaging, distribution, sale, marketing, labeling, quality, safety and transportation of our products, as well as our occupational safety and health practices.

Under various federal statutes and implementing regulations, these agencies, among other things, prescribe the requirements and establish the standards for quality and safety and regulate our products and the manufacturing, labeling, marketing, promotion and advertising thereof. With respect to eggs in particular, the FDA and the USDA split jurisdiction depending on the type of product involved. While the FDA has primary responsibility for the regulation of shell eggs, the USDA has primary responsibility for the regulation of dried, frozen or liquid eggs and other “egg products,” subject to certain exceptions.



Among other things, the facilities in which our products are manufactured or processed must register with the FDA and/or the USDA, comply with cGMPs and comply with a range of food safety and labeling requirements established by the FDCA, as amended by the Food Safety Modernization Act of 2011, the EPIA, the OFPA and the AMA, among other laws implemented by the FDA, the USDA and other regulators. The FDA and the USDA have the authority to inspect these facilities depending on the type of product involved; For example, Egg Central Station, our facility in Springfield, Missouri, has been subject to periodic inspections by the USDA to evaluate compliance with certain applicable requirements, and the FDA may likewise inspect the facility. The FDA and the USDA also require that certain nutrition and product information appear on our product labels and, more generally, that our labels and labeling be truthful and non-misleading. Similarly, the FTC requires that our marketing and advertising be truthful, non-misleading and not deceptive to consumers. We are also restricted from making certain types of claims about our products, including nutrient content claims, health claims, organic claims and claims regarding the effects of our products on any structure or function of the body, whether express or implied, unless we satisfy certain regulatory requirements. We also participate in the USDA's voluntary egg grading program, which requires compliance with additional labeling and facility requirements.

In addition, our suppliers are subject to numerous regulatory requirements. For example, the farmers who produce our shell eggs may be subject to requirements implemented by the FDA pertaining to pest control, salmonella enteritidis prevention and other requirements.

We are also subject to state and local food safety regulation, including registration and licensing requirements for our facilities, enforcement of standards for our products and facilities by state and local health agencies, and regulation of our trade practices in connection with selling our products.

We are also subject to labor and employment laws, laws governing advertising, privacy laws, safety regulations and other laws, including consumer protection regulations that regulate retailers or govern the promotion and sale of merchandise. Our operations, and those of our co-manufacturers, distributors and suppliers, are subject to various laws and regulations relating to environmental protection and worker health and safety matters.

### **Certified B Corporation**

While not required by Delaware law or the terms of our certificate of incorporation, we have elected to have our social and environmental performance, accountability and transparency assessed against the proprietary criteria established by B Lab, an independent non-profit organization. As a result of this assessment, in December 2015, we were designated as a Certified B Corporation.

In order to be designated as a Certified B Corporation, companies are required to take a comprehensive and objective assessment of their positive impact on society and the environment. The assessment evaluates how a company's operations and business model impacts its workers, customers, suppliers, community and the environment using a 200-point scale. While the assessment varies depending on a company's size (number of employees), sector and location, representative indicators in the assessment include payment above a living wage, employee benefits, stakeholder engagement, supporting underserved suppliers and environmental benefits from a company's products or services. After completing the assessment, B Lab will verify the company's score to determine if it meets the 80-point minimum bar for certification. The review process includes a phone review, a random selection of indicators for verifying documentation and a random selection of company locations for onsite reviews, including employee interviews and facility tours. Once certified, every Certified B Corporation must make its assessment score transparent on B Lab's website.

Acceptance as a Certified B Corporation and continued certification is at the sole discretion of B Lab. To maintain our certification, we are required to update our assessment and verify our updated score with B Lab



every three years. We will need to update our current certification no later than February 2021 . Additionally, we are required to commit to recertifying within 90 days following the effective date of this offering and to complete this recertification within one year following the effective date of this offering.

### **Public Benefit Corporation Status**

In connection with our Certified B Corporation status and as a demonstration of our long-term commitment to our mission to bring ethically produced food to the table by coordinating a network of family farms to operate with a well-defined set of organic agricultural practices that includes the humane treatment of farm animals as a central tenet, we elected in October 2017 to be treated as a public benefit corporation under Delaware law.

Under Delaware law, a public benefit corporation is required to identify in its certificate of incorporation the public benefit or benefits it will promote and its directors have a duty to manage the affairs of the corporation in a manner that balances the pecuniary interests of the corporation's stockholders, the best interests of those materially affected by the corporation's conduct, and the specific public benefit or public benefits identified in the public benefit corporation's certificate of incorporation. Public benefit corporations organized in Delaware are also required to assess their benefit performance internally and to disclose to stockholders at least biennially a report detailing their success in meeting their benefit objectives.

As provided in our certificate of incorporation, the public benefits that we promote, and pursuant to which we manage our company, are: (i) bringing ethically produced food to the table; (ii) bringing joy to our customers through products and services; (iii) allowing crew members to thrive in an empowering, fun environment; (iv) fostering lasting partnerships with our farms and suppliers; (v) forging an enduring profitable business; and (vi) being stewards of our animals, land, air and water, and being supportive of our community. See the section titled "Description of Capital Stock—Anti-Takeover Provisions—Public Benefit Corporation Status" for additional information.

### **Seasonality**

Demand for shell eggs fluctuates in response to seasonal factors. Shell egg demand tends to increase with the start of the school year and is highest prior to holiday periods, particularly Thanksgiving, Christmas and Easter and the lowest during the summer months. As a result of these seasonal and quarterly fluctuations, comparisons of our sales and operating results between different quarters within a single fiscal year are not necessarily meaningful comparisons.

### **Trademarks and Other Intellectual Property**

We own trademarks and other proprietary rights that are important to our business, including our principal trademark, Vital Farms. All of our trademarks are registered with the U.S. Patent and Trademark Office. Our trademarks are valuable assets that reinforce the distinctiveness of our brand to our consumers. We believe the protection of our trademarks, copyrights and domain names are important to our success. We aggressively protect our intellectual property rights by relying on trademark and copyright.

### **Culture and Employees**

We take great pride in our culture. We embrace collaboration and creativity and encourage the iteration of ideas to address complex challenges. Transparency and open dialogue are central to how we work, and we aim to ensure that company news reaches our crew members first through internal channels. Despite our sustained

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growth, we still cherish our roots as an ethically driven food company and wherever possible empower crew members to act on great ideas that support our purpose and values regardless of their role or function within the company. We strive to hire great crew members, with backgrounds and perspectives as diverse as those of our consumers, and value them as stakeholders. We work to provide an environment where these talented people can have fulfilling careers addressing what we believe to be some of the biggest challenges in the food industry. Our crew members are among our best assets and are critical for our continued success. We expect to continue investing in hiring talented crew members and providing competitive compensation programs to our crew members.

As of December 29, 2019, we had approximately 161 full-time crew members, including 103 in operations, 28 in sales and marketing, 9 in finance and 21 in general and administrative functions, all of whom are located in the United States. Of our full-time crew members, three are contract workers. None of our crew members is represented by a labor union. We have never experienced a labor-related work stoppage, and we consider our relations with our crew members to be good.

### **Facilities**

We lease our corporate headquarters located at 3601 South Congress Avenue, Austin, Texas, where we occupy approximately 9,000 square feet of office space pursuant to a lease that expires in April 2026, with an option to extend this lease for a successive period of five years. We own an approximately 82,000 square foot shell egg processing facility in Springfield, Missouri, which we refer to as Egg Central Station. We also lease warehouse space for 5,000 rentable pallet spaces in Webb City, Missouri pursuant to a lease that expires in December 2021. We believe that our current facilities are suitable and adequate to meet our current needs.

### **Legal Proceedings**

We are subject to various legal proceedings and claims that arise in the ordinary course of our business. Although the outcome of these and other claims cannot be predicted with certainty, we do not believe the ultimate resolution of the current matters will have a material adverse effect on our business, financial condition, results of operations or cash flows.

## MANAGEMENT

The following table sets forth information for our executive officers and directors as of July 9, 2020:

Name	Age	Position
<i>Executive Officers:</i>		
Matthew O'Hayer	65	Founder, Executive Chairman and Director
Russell Diez-Canseco	48	President, Chief Executive Officer and Director
Jason Dale	48	Chief Operating Officer and Chief Financial Officer
Scott Marcus	45	Chief Marketing Officer
<i>Non-Employee Directors:</i>		
Brent Drever	48	Director
Glenda Flanagan	66	Director
Kelly Kennedy	51	Director
Karl Khoury	51	Director
Denny Marie Post	63	Director
Gisel Ruiz	49	Director

### Executive Officers

**Matthew O'Hayer** is our founder and has served as a member of our board of directors since inception and as our executive chairman since April 2019. From September 2007 to April 2019, Mr. O'Hayer served as our chief executive officer. Mr. O'Hayer is also the founder and has served as the president of the Organic Egg Farmers of America, an industry association that hosts agricultural conventions on topics related to organic egg production. We believe that Mr. O'Hayer is qualified to serve on our board of directors because of his leadership in conceptualizing and developing our brand and business, his deep expertise in the food business, his extensive knowledge of our industry and his 40 years of experience building businesses.

**Russell Diez-Canseco** has served as our president and chief executive officer since May 2019 and as a member of our board of directors since December 2019. Prior to this, Mr. Diez-Canseco served as our president and chief operating officer from November 2015 to April 2019, as our chief operating officer from October 2014 to October 2015 and as our vice president of operations from January 2014 to September 2014. Prior to joining us, Mr. Diez-Canseco spent several years with McKinsey & Company, a worldwide management consulting firm, H-E-B, a supermarket chain, and the Central Intelligence Agency. Mr. Diez-Canseco received his M.B.A. from Harvard Business School and earned his A.B. in Economics from the University of California at Berkeley. We believe Mr. Diez-Canseco's strategic vision for our company and his extensive business experience, including in the food industry, make him qualified to serve on our board of directors.

**Jason Dale** has served as our chief operating officer and chief financial officer since January 2020. Prior to this, Mr. Dale served as our chief operating officer from August 2019 to January 2020 and as our chief financial officer from October 2014 to August 2019. Prior to joining us, Mr. Dale held a variety of executive management roles at Michael Angelo's Gourmet Foods, Inc., a producer of premium, authentic frozen Italian entrees, including chief financial officer and chief operating officer, from August 2002 to May 2014. Mr. Dale received his B.S.B. in Accounting from the University of Phoenix.

**Scott Marcus** has served as our chief marketing officer since May 2019. Prior to this, Mr. Marcus served as our vice president of sales and marketing from July 2018 to April 2019 and as our vice president of marketing from February 2016 to July 2018. Prior to joining us, Mr. Marcus served in various roles at Mondelez International, Inc. (formerly Kraft Foods), an American multinational confectionery, food and beverage holding company, including marketing director for the Savory brands North America business from January 2015 to December 2015, brand marketing director of the Ritz franchise from June 2014 to January 2015 and senior brand manager of belVita Breakfast United States from August 2012 to June 2014. Mr. Marcus received his M.B.A.

from The Fuqua School of Business at Duke University and his B.B.A. in Marketing from The George Washington University.

#### **Non-Employee Directors**

**Brent Drever** has served as a member of our board of directors since March 2019. Mr. Drever has served as co-founder and chief operating officer of Manna Tree Partners, an asset management firm focused on food supply chain transparency, since 2018. Prior to that, Mr. Drever co-founded Acuity Institute in May 2005, a provider of leadership training, coaching and consulting, where he served as chief executive officer from April 2012 to October 2018 and has served as advisor since October 2018. Since September 2017, Mr. Drever has served as co-founder and board president of Zealous Schools, a micro school. Mr. Drever holds a B.S. in Architectural Engineering from the University of Colorado at Boulder. We believe that Mr. Drever is qualified to serve on our board of directors because of his diverse business, management and leadership experience across a variety of industries, including food supply.

**Glenda Flanagan** has served as a member of our board of directors since July 2020. Ms. Flanagan served as the Executive Vice President and Chief Financial Officer of Whole Foods Market, Inc., the natural and organic food supermarket chain acquired by Amazon, Inc. in 2017, from 1988 through May 2017. Since then she has served as the Executive Vice President and Senior Advisor at Whole Foods. Ms. Flanagan currently serves on the boards of directors of Whole Planet Foundation, Whole Cities Foundation, and Whole Kids Foundation, as well as the public companies Fitbit, Inc. and Credit Acceptance Corporation. Ms. Flanagan holds a B.B.A. in accounting from the University of Texas at Austin. Ms. Flanagan was selected to serve as a member of our board of directors due to her extensive experience with a leading consumer and health-related brand, and her expertise and background with regard to accounting and financial matters.

**Kelly Kennedy** has served as a member of our board of directors since December 2019. Ms. Kennedy has served as the chief financial officer of Bartell Drugs, a family-owned pharmacy chain, since September 2018. Ms. Kennedy has also served on the board of directors of Sur La Table, Inc. since September 2018 and FirstFruits Farms LLC since December 2019. Prior to that, Ms. Kennedy served as the chief financial officer of Sur La Table from June 2015 to September 2018, as the chief financial officer of See's Candies from January 2014 to June 2015 and as the chief financial officer and treasurer of Annie's Inc. from August 2011 to November 2013. Ms. Kennedy has also served in various roles at Revolution Foods, Inc., Established Brands, Inc., Serena & Lily Inc., Forklift Brands, Inc., Elephant Pharm, Inc., Williams-Sonoma, Inc. and Dreyer's Grand Ice Cream Holdings, Inc. Ms. Kennedy received her M.B.A. from Harvard Business School and her B.A. in Economics from Middlebury College. We believe that Ms. Kennedy is qualified to serve on our board of directors because of her comprehensive financial expertise and experience with retail and consumer brands, including those in the food space. As described above, Ms. Kennedy is a director of Sur La Table, where she also served as chief financial officer from June 2015 to September 2018. Sur La Table filed a voluntary petition for bankruptcy on July 8, 2020. Except as described in the preceding sentence, no other event has occurred during the past ten years requiring disclosure pursuant to Item 401(f) of Regulation S-K.

**Karl Khoury** has served as a member of our board of directors since January 2015. Mr. Khoury co-founded and has served as a partner at Arborview Capital Partners LP, a venture capital firm focused on resource efficiency and sustainability, since the firm's inception in March 2008. Prior to co-founding Arborview Capital, he served as a partner with Columbia Capital, a sector-focused venture capital firm with over \$2 billion under management. In addition to Vital Farms, Mr. Khoury is or has been a member of the board of directors of multiple Arborview Capital portfolio companies. Mr. Khoury is on the board of directors of Impact Capital Managers, a network of private capital fund managers in the U.S. and Canada, and he is on the Board of Trustees of the Levine School of Music. Mr. Khoury received his B.S. in Finance from Lehigh University. We believe that Mr. Khoury is qualified to serve on our board of directors because of his extensive finance and investment experience.

**Denny Marie Post** has served as a member of our board of directors since December 2019. Ms. Post has served on the boards of directors of Wyndham Destinations, Inc. (NYSE:WYND) since May 2018. Prior to that

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Ms. Post served on the board of directors of Red Robin Gourmet Burgers, Inc. (Nasdaq: RRGB), a casual dining restaurant chain, from August 2016 to April 2019 and served in a variety of senior management roles from August 2011 to April 2019, including president, chief executive officer, chief concept officer and chief marketing officer. Ms. Post has previously held management positions at T-Mobile US, Inc., Starbucks Corporation, Burger King Worldwide Inc., and KFC USA, Pizza Hut and Taco Bell Canada while at YUM! Brands, Inc. Ms. Post received her certificate in Finance from Wharton School of Business at the University of Pennsylvania and her B.A. in Journalism and Social Sciences from Trinity University. We believe that Ms. Post is qualified to serve on our board of directors because of her diverse business, management and leadership experience in the consumer, food and hospitality industries.

**Gisel Ruiz** has served as a member of our board of directors since May 2020. Most recently, Ms. Ruiz served as executive vice president and chief operating officer of Sam's West, Inc., a national chain of membership-only retail warehouse clubs, from February 2017 to June 2019. She is currently on the board of advisors at Santa Clara University serving the Retail Management Institute. Ms. Ruiz served on the board of directors of Walmart de Mexico S.A.B. de CV, a multinational retail chain, from October 2016 to May 2019. Ms. Ruiz also held multiple positions at Walmart, Inc., both in the U.S. and international business segments, from 1992 through February 2017, including executive roles from 2010 to February 2017. Ms. Ruiz received her B.S. in Marketing, Retail Management from Santa Clara University. We believe that Ms. Ruiz is qualified to serve on our board of directors because of her diverse business, management and leadership experience in the consumer and food industries.

### **Family Relationships**

There are no family relationships among any of the directors or executive officers.

### **Composition of Our Board of Directors**

Our business and affairs are managed under the direction of our board of directors. We currently have ten directors. All of our directors currently serve on the board of directors pursuant to the voting provisions of a stockholders agreement between us and several of our stockholders. The voting provisions of our stockholders agreement will terminate upon the completion of this offering, after which there will be no further contractual obligations regarding the election or designation of our directors. Our current directors will continue to serve as directors until their resignation, removal or successor is duly elected.

Our board of directors may establish the authorized number of directors from time to time by resolution. In accordance with our amended and restated certificate of incorporation that will be in effect on the completion of this offering, immediately after this offering, our board of directors will be divided into three classes with staggered three-year terms. At each annual meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our directors will be divided among the three classes as follows:

- the Class I directors will be Brent Drever and Karl Khoury, whose terms will expire at the first annual meeting of stockholders to be held following the completion of this offering;
- the Class II directors will be Glenda Flanagan, Denny Marie Post and Gisel Ruiz, whose terms will expire at the second annual meeting of stockholders to be held following the completion of this offering; and
- the Class III directors will be Matthew O'Hayer, Russell Diez-Canseco and Kelly Kennedy, whose terms will expire at the third annual meeting of stockholders to be held following the completion of this offering.

We expect that any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one third of the directors. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control.

## **Director Independence**

Our board of directors has undertaken a review of the independence of each director. Based on information provided by each director concerning her or his background, employment and affiliations, our board of directors has determined that none of our directors, other than Mr. Diez-Canseco, Ms. Flanagan and Mr. O'Hayer, has any relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the Nasdaq listing standards. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our shares by each non-employee director and the transactions described in the section titled "Certain Relationships and Related Party Transactions."

## **Lead Independent Director**

Our board of directors has appointed Denny Marie Post to serve as our lead independent director. As lead independent director, Ms. Post will preside at all meetings of the board of directors at which the executive chairman is not present, preside over executive sessions of our independent directors, serve as a liaison between our executive chairman and our independent directors, and perform such additional duties as our board of directors may otherwise determine and delegate.

## **Committees of Our Board of Directors**

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. The composition and responsibilities of each of the committees of our board of directors are described below. Members serve on these committees until their resignation or until otherwise determined by our board of directors. Our board of directors may establish other committees as it deems necessary or appropriate from time to time.

### ***Audit Committee***

Our audit committee consists of Kelly Kennedy, Karl Khoury and Gisel Ruiz, each of whom our board of directors has determined satisfies the independence requirements under Nasdaq listing standards and Rule 10A-3(b)(1) of the Exchange Act. The chair of our audit committee is Ms. Kennedy, who our board of directors has determined is an "audit committee financial expert" within the meaning of SEC regulations. Each member of our audit committee can read and understand fundamental financial statements in accordance with applicable requirements. In arriving at these determinations, our board of directors has examined each audit committee member's scope of experience and the nature of their employment in the corporate finance sector.

The primary purpose of the audit committee is to discharge the responsibilities of our board of directors with respect to our corporate accounting and financial reporting processes, systems of internal control and financial statement audits, and to oversee our independent registered public accounting firm. Specific responsibilities of our audit committee include:

- helping our board of directors oversee our corporate accounting and financial reporting processes;
- managing the selection, engagement, qualifications, independence and performance of a qualified firm to serve as the independent registered public accounting firm to audit our financial statements;
- discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and the independent accountants, our interim and year-end operating results;
- developing procedures for employees to submit concerns anonymously about questionable accounting or audit matters;

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- reviewing related person transactions;
- obtaining and reviewing a report by the independent registered public accounting firm at least annually that describes our internal quality control procedures, any material issues with such procedures and any steps taken to deal with such issues when required by applicable law; and
- approving or, as permitted, pre-approving, audit and permissible non-audit services to be performed by the independent registered public accounting firm.

Our audit committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable Nasdaq listing standards.

### ***Compensation Committee***

Our compensation committee consists of Karl Khoury, Denny Marie Post and Gisel Ruiz. The chair of our compensation committee is Ms. Ruiz. Our board of directors has determined that each member of the compensation committee is independent under the Nasdaq listing standards and a “non-employee director” as defined in Rule 16b-3 promulgated under the Exchange Act.

The primary purpose of our compensation committee is to discharge the responsibilities of our board of directors in overseeing our compensation policies, plans and programs and to review and determine the compensation to be paid to our executive officers, directors and other senior management, as appropriate. Specific responsibilities of our compensation committee include:

- reviewing and approving the compensation of our chief executive officer, other executive officers and senior management;
- administering our equity incentive plans and other benefit programs;
- reviewing, adopting, amending and terminating incentive compensation and equity plans, severance agreements, profit sharing plans, bonus plans, change-of-control protections and any other compensatory arrangements for our executive officers and other senior management; and
- reviewing and establishing general policies relating to compensation and benefits of our employees, including our overall compensation philosophy.

Our compensation committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable Nasdaq listing standards.

### ***Nominating and Corporate Governance Committee***

Our nominating and corporate governance committee consists of Brent Drever, Kelly Kennedy and Denny Marie Post. The chair of our nominating and corporate governance committee is Mr. Drever. Our board of directors has determined that each member of the nominating and corporate governance committee is independent under the Nasdaq listing standards.

Specific responsibilities of our nominating and corporate governance committee will include:

- identifying and evaluating candidates, including the nomination of incumbent directors for reelection and nominees recommended by stockholders, to serve on our board of directors;
- considering and making recommendations to our board of directors regarding the composition and chairmanship of the committees of our board of directors;
- reviewing and recommending to our board of directors the compensation paid to our directors;

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- instituting plans or programs for the continuing education of our board of directors and orientation of new directors;
- reviewing, evaluating and recommending to our board of directors succession plans for our executive officers;
- developing and making recommendations to our board of directors regarding corporate governance guidelines and matters, including in relation to corporate social responsibility; and
- overseeing periodic evaluations of the board of directors' performance, including committees of the board of directors.

Our nominating and corporate governance committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable Nasdaq listing standards.

### **Code of Conduct**

We have adopted a Code of Conduct that applies to all our employees, officers and directors. This includes our principal executive officer, principal financial officer and principal accounting officer or controller, or persons performing similar functions. The full text of our Code of Conduct will be posted on our website at [www.vitalfarms.com](http://www.vitalfarms.com). We intend to disclose on our website any future amendments of our Code of Conduct or waivers that exempt any principal executive officer, principal financial officer, principal accounting officer or controller, persons performing similar functions or our directors from provisions in the Code of Conduct. Information contained on, or that can be accessed through, our website is not incorporated by reference into this prospectus, and you should not consider information on our website to be part of this prospectus.

### **Compensation Committee Interlocks and Insider Participation**

None of the members of the compensation committee are currently, or have been at any time, one of our officers or employees. None of our executive officers currently serve, or have served during the last year, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

### **Non-Employee Director Compensation**

Prior to December 2019, we did not pay compensation to any of our non-employee directors. While we did not have a formal director compensation policy, in connection with the appointments of Ms. Kennedy and Ms. Post to our board of directors in December 2019, we granted stock options to each of them and agreed to pay cash compensation to each of them for board and committee service. We also reimburse all of our non-employee directors for their reasonable out-of-pocket expenses incurred in attending board of directors and committee meetings. Other than as set forth in the table below, no compensation was earned by or paid to our non-employee directors for fiscal 2019. The compensation of Messrs. O'Hayer and Diez-Canseco as named executive officers is set forth in the section titled "Executive Compensation." Ms. Ruiz and Ms. Flanagan joined our board of directors in May 2020 and July 2020, respectively, and are not reflected in the table below because they received no compensation for fiscal 2019.

<u>Name</u>	<u>Fees Earned or Paid in Cash(1)</u>	<u>Option Awards(2)</u>	<u>Total</u>
Kelly Kennedy(3)	\$ 2,740	\$ 142,629	\$ 145,369
Denny Marie Post(3)	2,740	142,629	145,369

(1) Represents compensation for board and committee service.

(2) Amounts reported represent the aggregate grant date fair value of the stock options granted to our directors during fiscal 2019 under our 2013 Plan, computed in accordance with ASC Topic 718. The assumptions used in calculating the grant date fair value of the stock options reported in this column are set forth in the notes to our audited consolidated financial statements included elsewhere in this prospectus. This amount does not reflect the actual economic value that may be realized by the director.



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- (3) Joined our board of directors in December 2019. In connection with the appointment, the director was granted options to purchase 21,918 shares of common stock, all of which were outstanding as of December 29, 2019. One-fourth of such options vest as of the end of each calendar quarter of 2020, subject to the director's continued service to us on such date. None of the options have been exercised.

In May 2020, our board of directors granted options to purchase 4,223 shares to each of Ms. Kennedy and Ms. Post and options to purchase 17,136 shares to Ms. Ruiz. The shares subject to each of these options have an exercise price per share of \$12.4268 and vest in equal installments on June 30, September 30 and December 31, 2020, subject to the respective non-employee director's continuous service with us as of each such vesting date.

In July 2020, our board of directors adopted a non-employee director compensation policy that will become effective upon the execution of the underwriting agreement related to this offering and will be applicable to all of our non-employee directors. This compensation policy provides that each such non-employee director will receive the following compensation for service on our board of directors:

- an annual cash retainer of \$40,000;
- an additional annual cash retainer of \$20,000 for service as lead independent director;
- an additional annual cash retainer of \$10,000, \$7,500 and \$5,000 for service as a member of the audit committee, compensation committee and the nominating and corporate governance committee, respectively;
- an additional annual cash retainer of \$20,000, \$15,000 and \$10,000 for service as chairman of the audit committee, chairman of the compensation committee and chairman of the nominating and corporate governance committee, respectively (in lieu of the committee member retainer above);
- an initial restricted stock unit award granted at the time a non-employee director first joins our board of directors, covering the number of shares equal to \$120,000 divided by the closing sales price of our common stock on the grant date, vesting in three equal annual installments; and
- an annual restricted stock unit award covering the number of shares equal to \$80,000 divided by the closing sales price of our common stock on the date of the applicable annual meeting, vesting on the earlier of (i) the one year anniversary of the date of grant and (ii) the day before the next annual meeting.

Each non-employee director may elect to convert his or her cash compensation under the compensation policy into an award of restricted stock units, which we refer to as the retainer grant. If a non-employee director timely makes this election, each such retainer grant will be automatically granted on the first business day following the date the corresponding cash compensation otherwise would be paid under the policy and will cover a number of shares of our common stock equal to (A) the aggregate amount of the corresponding cash compensation otherwise payable to the non-employee director divided by (B) the closing sales price per share of our common stock on the date the corresponding cash compensation otherwise would be paid (or, if such date is not a business day, on the first business day thereafter), rounded down to the nearest whole share. In addition, each retainer grant will be fully vested on the grant date.

On the second trading day following the execution and delivery of the underwriting agreement relating to this offering, each then-serving non-employee director will receive a Director IPO Grant consisting of a restricted stock unit award for 7,500 shares of common stock. The award will vest in three equal installments on the day before each of the first, second and third annual meetings of stockholders that occurs following the execution of the underwriting agreement related to this offering.

Each of the grants described above will be granted under our 2020 Plan, the terms of which are described in more detail under "Executive Compensation—Equity Incentive Plans—2020 Equity Incentive Plan." Each such grant will vest subject to the director's continuous service with us, provided that each grant will vest in full upon a Change in Control, as defined in the 2020 Plan.

## EXECUTIVE COMPENSATION

Our named executive officers for the fiscal year ended December 29, 2019, consisting of our principal executive officers and the next two most highly compensated executive officers, were:

- Matthew O’Hayer, who served as our chief executive officer until April 25, 2019 and currently serves as our executive chairman and as a member of our board of directors;
- Russell Diez-Canseco, who served as our president and chief operating officer until April 25, 2019 and currently serves as our president and chief executive officer and as a member of our board of directors;
- Scott Marcus, who served as our vice president of sales and marketing until April 25, 2019 and currently serves as our chief marketing officer; and
- Daniel Jones, who served as our chief financial officer from August 12, 2019 until January 27, 2020 and currently serves as our vice president of finance.

### 2019 Summary Compensation Table

The following table presents all of the compensation awarded to or earned by or paid to our named executive officers for the fiscal year ended December 29, 2019.

Name and Principal Position	Year	Salary <sup>(1)</sup>	Option Awards <sup>(2)</sup>	Non-Equity Incentive Plan Compensation <sup>(3)</sup>	All Other Compensation <sup>(4)</sup>	Total
Matthew O’Hayer <sup>(5)(6)</sup> <i>Executive Chairman and Director and Former Chief Executive Officer</i>	2019	\$208,750	\$ —	\$ 43,750	\$ 8,596	\$ 261,096
Russell Diez-Canseco <sup>(5)(7)</sup> <i>President, Chief Executive Officer and Director</i>	2019	\$327,115	\$2,330,074	\$ 154,808	\$ 8,654	\$2,820,651
Scott Marcus <i>Chief Marketing Officer</i>	2019	\$218,877	\$ 750,441	\$ 53,622	\$ 8,300	\$1,031,240
Daniel Jones <sup>(8)</sup> <i>Vice President, Finance and Former Chief Financial Officer</i>	2019	\$110,769	\$1,332,349	\$ 46,523	\$ 3,323	\$1,492,964

(1) Salary amounts represent actual amounts paid during 2019. See “—Narrative to the Summary Compensation Table—Annual Base Salary” below.

(2) Amounts reported represent the aggregate grant date fair value of the stock options granted to our named executive officers during fiscal 2019 under our 2013 Plan, computed in accordance with ASC Topic 718. The assumptions used in calculating the grant date fair value of the stock options reported in this column are set forth in the notes to our audited consolidated financial statements included elsewhere in this prospectus. This amount does not reflect the actual economic value that may be realized by the named executive officer.

(3) See “—Narrative to Summary Compensation Table—Non-Equity Incentive Plan Compensation” below for a description of the material terms of the program pursuant to which this compensation was awarded.”

(4) The amounts in this column include our 401(k) match contribution for each named executive officer.

(5) Each of Messrs. O’Hayer and Diez-Canseco is also a member of our board of directors, but did not receive any additional compensation in his capacity as a director.

(6) During fiscal year 2019, Mr. O’Hayer served as our chief executive officer until April 30, 2019. Effective May 1, 2019, Mr. O’Hayer transitioned into the role of our executive chairman.

(7) During fiscal year 2019, Mr. Diez-Canseco served as our president and chief operating officer until April 30, 2019. Effective May 1, 2019, Mr. Diez-Canseco transitioned into the role of our chief executive officer.

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- (8) Mr. Jones joined us in August 2019 as our chief financial officer. In January 2020, Mr. Jones transitioned into the role of our vice president, finance. Salary and bonus amounts represent the pro rata portion of fiscal 2019 annual base salary and bonus, respectively.

### **Narrative to the Summary Compensation Table**

#### ***Annual Base Salary***

Our named executive officers receive a base salary to compensate them for services rendered to us. The base salary payable to each named executive officer is intended to provide a fixed component of compensation reflecting the executive's skill set, experience, role and responsibilities. None of our named executive officers is currently party to an employment agreement or other agreement or arrangement that provides for automatic or scheduled increases in base salary. The fiscal 2019 base salary for Mr. O'Hayer was \$275,000 until June 2019, after which Mr. O'Hayer voluntarily reduced his salary to \$57,000 until October 2019, when our board of directors determined to increase Mr. O'Hayer's salary to \$300,000. The fiscal 2019 base salary for Mr. Diez-Canseco was \$315,000 until August 2019 when, following his promotion to chief executive officer, it was increased to \$350,000. Mr. Diez-Canseco's annual base salary will increase to \$450,000 effective upon the pricing of this offering. The fiscal 2019 base salary for Mr. Marcus was \$202,000 until August 2019 when, following his promotion to chief marketing officer, it was increased to \$250,000. The fiscal 2019 base salary for Mr. Jones was \$320,000 until January 2020 when it was decreased to \$200,000 in connection with his transition to vice president, finance.

#### ***Non-Equity Incentive Plan Compensation***

We develop a performance-based bonus program annually. Under the fiscal 2019 annual performance bonus program, each named executive officer was eligible to be considered for an annual performance bonus based on (1) the individual's target bonus, as a percentage of base salary, and (2) the percentage attainment of our fiscal 2019 corporate goals established by our board of directors in its sole discretion and communicated to each officer. Each named executive officer is assigned a target bonus expressed as a percentage of his base salary, which for fiscal 2019 was 30% for Mr. O'Hayer, 68% for Mr. Diez-Canseco, 34% for Mr. Marcus and 60% for Mr. Jones. For fiscal 2019, our board of directors determined that our percentage attainment level was between 93% and 95% for each of our fiscal 2019 corporate goals. Accordingly, our board of directors approved performance bonuses for each of the named executive officers as reflected in the column of the Summary Compensation Table above entitled "Non-Equity Incentive Plan Compensation."

#### ***Equity-Based Incentive Awards***

Our equity award program is the primary vehicle for offering long-term incentives to our executives. We believe that equity awards provide our executives with a strong link to our long-term performance, create an ownership culture and help to align the interests of our executives and our stockholders. To date, we have used stock option grants for this purpose because we believe they are an effective means by which to align the long-term interests of our executive officers with those of our stockholders. The use of options also can provide tax and other advantages to our executive officers relative to other forms of equity compensation. We believe that our equity awards are an important retention tool for our executive officers, as well as for our other employees.

We award stock options broadly to our employees, including to our non-executive employees. Grants to our executives and other employees are made at the discretion of our board of directors and are not made at any specific time period during a year.

In August 2019, our board of directors granted options to purchase 1,049,352 shares to Mr. Diez-Canseco and 337,962 shares to Mr. Marcus following their respective promotions, and it granted options to purchase 599,674 shares to Mr. Jones in connection with his hiring. The shares subject to each of these options have an exercise price per share of \$5.33 and vest annually over a five-year period, beginning on the first anniversary of the August 2019 vesting commencement date, subject to the respective named executive officer's continuous service with us as of each such vesting date.

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Prior to this offering, all of the stock options we have granted were made pursuant to our 2013 Plan. Following this offering, we will grant equity incentive awards under the terms of our 2020 Plan. The terms of our equity plans are described under the section titled “—Equity Incentive Plans” below.

### Outstanding Equity Awards as of December 29, 2019

The following table presents estimated information regarding outstanding equity awards held by our named executive officers as of December 29, 2019. All awards were granted pursuant to the 2013 Plan. See the section titled “—Equity Incentive Plans—2013 Incentive Plan” below for additional information.

Name	Grant Date	Option Awards <sup>(1)</sup>			
		Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date
<b>Matthew O’Hayer</b>	10/19/2017	132,768	199,156 <sup>(2)</sup>	\$ 3.76	10/19/2027
<b>Russell Diez-Canseco</b>	3/14/2014	12,300	—	\$ 0.67	3/14/2024
	9/26/2014	216,074	—	\$ 1.43	9/26/2024
	5/22/2015	98,400	24,600 <sup>(2)</sup>	\$ 1.43	5/22/2025
	1/1/2016	59,040	39,360 <sup>(2)</sup>	\$ 3.25	1/1/2026
	12/1/2016	103,320	68,880 <sup>(2)</sup>	\$ 3.25	12/1/2026
	5/22/2018	44,280	177,120 <sup>(3)</sup>	\$ 3.67	5/22/2028
	8/22/2019	—	1,049,352 <sup>(2)</sup>	\$ 5.33	8/22/2029
<b>Scott Marcus</b>	2/22/2016	24,918	24,600 <sup>(2)</sup>	\$ 3.25	2/22/2026
	4/2/2018	2,460	9,840 <sup>(2)</sup>	\$ 3.67	4/2/2028
	8/22/2019	—	337,962 <sup>(2)</sup>	\$ 5.33	8/22/2029
<b>Daniel Jones</b>	8/22/2019	—	599,674 <sup>(4)</sup>	\$ 5.33	8/22/2029

(1) All of the awards listed in this table were granted under our 2013 Incentive Plan, the terms of which are described below under “—Equity Incentive Plans—2013 Incentive Plan.”

(2) The shares subject to this award vest in equal annual installments over five years from the date of grant subject to the executive officer’s continued service.

(3) The shares subject to this award vest in equal annual installments over five years from January 1, 2018 subject to the executive officer’s continued service.

(4) On January 27, 2020, Daniel Jones agreed to forfeit 476,674 unvested options in connection with his agreement to transition from chief financial officer into the role of vice president of finance. The remaining 123,000 shares subject to this award vest in equal annual installments over five years from August 26, 2019 subject to the executive officer’s continued service.

### IPO Grants

Upon the pricing of this offering, our board of directors will grant options to purchase shares of our common stock to our named executive officers with an exercise price equal to the initial public offering price. Messrs. O’Hayer, Diez-Canseco, Marcus and Jones will receive 18,750, 18,750, 18,750 and 6,250 options to purchase shares of our common stock, respectively.

### Employment Arrangements

Each of our named executive officers is an at-will employee with certain rights to advance notice prior to termination. We have entered into an employment agreement or offer letter with each of our named executive officers, other than Mr. O’Hayer.

**Russell Diez-Canseco**

We maintain an employment agreement with Russell Diez-Canseco, originally entered into in October 2018, while Mr. Diez-Canseco served as our president and chief operating officer, which was amended and restated in July 2020. Pursuant to the amended and restated agreement, Mr. Diez-Canseco is entitled to a base salary of \$350,000 per year (which was subsequently increased by our board of directors to \$450,000 effective upon the pricing of this offering). Mr. Diez-Canseco is eligible to receive an annual bonus payment, as may be determined by our board of directors in its sole discretion, based upon his performance and other criteria as may be established by the board from time to time. Mr. Diez-Canseco must provide to us two weeks' written notice of his resignation other than for good reason and, in the event of our termination of Mr. Diez-Canseco's without cause, we must either provide two weeks' written notice of termination or payment in lieu of two weeks' notice. We may terminate Mr. Diez-Canseco immediately for cause and upon his death or disability. Regardless of the manner in which he is terminated, Mr. Diez-Canseco is entitled to receive amounts earned during his term of service, including salary, unreimbursed expenses incurred by him on our behalf, and accrued and unused vacation pay in accordance with our normal policies and practice. Upon termination by Mr. Diez-Canseco for good reason, termination by us without cause or upon his death or disability, Mr. Diez-Canseco shall be eligible to receive the following severance benefits:

- a lump sum amount equal to 150% of his annual base salary, or the Base Salary Severance;
- one year of premiums for continued health benefits under COBRA at the level existing on the termination date; and
- we will permit Mr. Diez-Canseco to use shares to pay the exercise price for all vested options owned by him on the termination date.

These severance benefits are conditioned upon Mr. Diez-Canseco's compliance with his post-termination obligations under his employment agreement and upon his execution, delivery and non-revocation of a release of claims in favor of the company. The employment agreement also contains intellectual property assignments and post-termination non-disclosure, non-solicitation, non-competition, and non-disparagement obligations.

For purposes of Mr. Diez-Canseco's employment agreement, "cause" means a good faith finding by the board of directors that (A) Mr. Diez-Canseco failed to substantially perform his duties and obligations to the company (other than a failure resulting from the death or incapacity due to disability) subject to a notice and cure opportunity; (B) Mr. Diez-Canseco has committed a crime involving fraud, dishonesty, theft or breach of trust; (C) Mr. Diez-Canseco has been convicted of a felony involving moral turpitude; (D) Mr. Diez-Canseco intentionally and willfully engaged in misconduct that is demonstrably and materially injurious to the company, monetarily or otherwise; (E) Mr. Diez-Canseco materially breached his employment agreement or any other agreement with us regarding his intellectual property rights; (F) Mr. Diez-Canseco willfully violated state or federal laws or regulations in connection with his employment to our material detriment; or (G) Mr. Diez-Canseco willfully failed to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by us to cooperate, or willfully destroyed or failed to preserve documents or other materials relevant to such investigation.

For purposes of Mr. Diez-Canseco's employment agreement, "good reason" means (A) a material reduction in salary; (B) any material diminution in the authority or responsibilities of Mr. Diez-Canseco with respect to the our business; (C) an office relocation farther than 50 miles from our principal executive offices; or (D) a material breach by us of the employment agreement.

**Scott Marcus**

We entered into an offer letter agreement with Mr. Marcus in connection with his commencement of employment with us as our vice president of marketing in February 2016. Pursuant to the offer letter agreement, Mr. Marcus was entitled to an initial base salary of \$165,000 per year (which has been subsequently increased), an initial target annual performance bonus of \$50,000 of base salary (which has been subsequently increased), an

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initial stock option grant to purchase up to 61,500 shares and severance of two months' base salary if we terminated Mr. Marcus without cause during the first 18 months of employment. In July 2020, we entered into an amended and restated offer letter with Mr. Marcus governing the terms of his continued employment as our chief marketing and sales officer. Under the amended and restated offer letter, Mr. Marcus is entitled to a base salary of \$250,000 per year and a target annual performance bonus of 50% of base salary.

### **Daniel Jones**

We entered into an offer letter agreement with Mr. Jones in connection with his commencement of employment with us as our chief financial officer in August 2019. Pursuant to the offer letter agreement, Mr. Jones was entitled to an initial base salary of \$320,000 per year, a target annual performance bonus of 60% of base salary and an initial stock option grant to purchase up to 599,674 shares. In January 2020, we entered into a new offer letter agreement with Mr. Jones in connection with his transition to the role of our vice president, finance, which provides for a reduced level of base salary and target bonus and forfeiture of a portion of Mr. Jones' stock options granted in 2019.

### **Health and Welfare and Retirement Benefits; Perquisites**

All of our current named executive officers are eligible to participate in our employee benefit plans, including our medical, dental, vision, disability and life insurance plans, in each case on the same basis as all of our other employees. We generally do not provide perquisites or personal benefits to our named executive officers, except in limited circumstances.

### **401(k) Plan**

Our named executive officers are eligible to participate in a defined contribution retirement plan that provides eligible U.S. employees with an opportunity to save for retirement on a tax advantaged basis. Eligible employees may defer eligible compensation on a pre-tax or after-tax (Roth) basis, up to the statutorily prescribed annual limits on contributions under the Code. Contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participants' directions. We currently make matching contributions into the 401(k) plan on behalf of participants equal to 100% on participant contributions up to 3% of their compensation. Participants are immediately and fully vested on all contributions. The 401(k) plan is intended to be qualified under Section 401(a) of the Code with the 401(k) plan's related trust intended to be tax exempt under Section 501(a) of the Code. As a tax-qualified retirement plan, contributions to the 401(k) plan (except for Roth contributions) and earnings on those contributions are not taxable to the employees until distributed from the 401(k) plan. Our board of directors may elect to adopt qualified or nonqualified benefit plans in the future, if it determines that doing so is in our best interests.

### **Equity Incentive Plans**

#### **2020 Equity Incentive Plan**

Our board of directors adopted our 2020 Plan in July 2020. We expect that our stockholders will approve, prior to the closing of this offering, our 2020 Plan. The 2020 Plan will become effective immediately prior to and contingent upon the execution of the underwriting agreement for this offering, and no further grants will be made under our 2013 Plan. Our 2020 Plan will provide for the grant of incentive stock options, or ISOs, within the meaning of Section 422 of the Code to our employees and our parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights, performance awards and other forms of stock compensation to our employees, including officers, consultants and directors.

*Authorized Shares.* Initially, the maximum number of shares of our common stock that may be issued under our 2020 Plan after it becomes effective will be 8,596,354 shares, which is the sum of (i) 3,000,000 new shares,

plus (ii) the number of shares that remain available for the issuance of awards under our 2013 Plan at the time our 2020 Plan becomes effective, plus (iii) any shares subject to outstanding stock awards that were granted under our 2013 Plan that terminate or expire prior to exercise or settlement, are settled in cash, are forfeited because of the failure to vest, or are reacquired or withheld to satisfy a tax withholding obligation or the purchase or exercise price. In addition, the number of shares of our common stock reserved for issuance under our 2020 Plan will automatically increase on January 1 of each calendar year, starting on January 1, 2021 (assuming the 2020 Plan becomes effective in 2020) through January 1, 2030, in an amount equal to 4% of the total number of shares of our common stock outstanding on December 31 of the preceding year, or a lesser number of shares determined by our board of directors. The maximum number of shares of our common stock that may be issued on the exercise of ISOs under our 2020 Plan is 26,000,000 shares.

Shares subject to stock awards granted under our 2020 Plan that expire or terminate without being exercised in full or that are paid out in cash rather than in shares do not reduce the number of shares available for issuance under our 2020 Plan. If any shares of common stock issued pursuant to a stock award are forfeited back to or repurchased or reacquired by us for any reason, the shares that are forfeited or repurchased or reacquired will revert to and again become available for issuance under the 2020 Plan. Any shares reacquired in satisfaction of tax withholding obligations or as consideration for the exercise or purchase price of a stock award will again become available for issuance under the 2020 Plan.

The aggregate value of all compensation granted or paid, as applicable, by the company to any individual for service as a non-employee director with respect to any period commencing on the date of the annual meeting of stockholders for a particular year and ending on the day immediately prior to the date of the annual meeting of stockholders for the next subsequent year, or the Annual Period, including awards granted under the 2020 Plan and cash fees paid by us to such non-employee director, will not exceed \$500,000 in total value or, with respect to (A) the non-executive chairperson of the board of directors or (B) the Annual Period in which a non-employee director is first appointed or elected to our board of directors, \$1,000,000 in total value (in each case calculating the value of any equity awards based on the grant date fair value of such equity awards for financial reporting purposes). The limits apply commencing with the Annual Period that begins on our first annual meeting of stockholders following the pricing of this offering.

*Plan Administration.* Our board of directors, or a duly authorized committee or subcommittee of our board of directors, will administer our 2020 Plan and is referred to as the “plan administrator” herein. Our board of directors may also delegate to one or more of our officers the authority to (i) designate employees (other than officers) to receive specified stock awards and (ii) determine the number of shares subject to such stock awards, provided that the officer may not grant any such awards to himself. Our board of directors will specify the total number of shares of our common stock that may be subject to stock awards granted by such officer in this manner. Under our 2020 Plan, our board of directors has the authority to determine award recipients, grant dates, the numbers and types of stock awards to be granted, the applicable fair market value, and the provisions of each stock award, including the period of exercisability and the vesting schedule applicable to a stock award.

Under the 2020 Plan, the board of directors also generally has the authority to effect, with the consent of any adversely affected participant, (i) the reduction of the exercise, purchase, or strike price of any outstanding option or stock appreciation right; (ii) the cancellation of any outstanding option or stock appreciation right and the grant in substitution therefore of other awards, cash, or other consideration; or (iii) any other action that is treated as a repricing under generally accepted accounting principles. Under the 2020 Plan, our board of directors also has the authority to submit any amendment to the 2020 Plan for stockholder approval.

*Stock Options.* ISOs and nonstatutory stock options, or NSOs, are granted under stock option agreements adopted by the plan administrator. The plan administrator determines the exercise price for stock options, within the terms and conditions of the 2020 Plan, provided that the exercise price of a stock option generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Options granted under the 2020 Plan vest at the rate specified in the stock option agreement as determined by the plan administrator.

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The plan administrator determines the term of stock options granted under the 2020 Plan, up to a maximum of ten years. Unless the terms of an optionholder's stock option agreement provide otherwise, if an optionholder's service relationship with us or any of our affiliates ceases for any reason other than disability, death, or cause, the optionholder may generally exercise any vested options for a period of three months following the cessation of service. This period may be extended in the event that exercise of the option is prohibited by applicable securities laws or our insider trading policy. If an optionholder's service relationship with us or any of our affiliates ceases due to death, or an optionholder dies within a certain period following cessation of service, the optionholder or a beneficiary may generally exercise any vested options for a period of 18 months following the date of death. If an optionholder's service relationship with us or any of our affiliates ceases due to disability, the optionholder may generally exercise any vested options for a period of 12 months following the cessation of service. In the event of a termination for cause, options generally terminate upon the termination date. In no event may an option be exercised beyond the expiration of its term.

Acceptable consideration for the purchase of common stock issued upon the exercise of a stock option will be determined by the plan administrator and may include: (i) cash, check, bank draft or money order; (ii) a broker- assisted cashless exercise; (iii) the tender of shares of our common stock previously owned by the optionholder; (iv) a net exercise of the option if it is an NSO; or (v) other legal consideration approved by the plan administrator.

Unless the plan administrator provides otherwise, options generally are not transferable except by will or the laws of descent and distribution. Subject to approval of the plan administrator or a duly authorized officer an option may be transferred pursuant to a domestic relations order.

*Tax Limitations on ISOs.* The aggregate fair market value, determined at the time of grant, of our common stock with respect to ISOs that are exercisable for the first time by an award holder during any calendar year under all of our stock plans may not exceed \$100,000. Options or portions thereof that exceed such limit will generally be treated as NSOs. No ISO may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our affiliates unless (i) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant, and (ii) the term of the ISO does not exceed five years from the date of grant.

*Restricted Stock Unit Awards.* Restricted stock unit awards are granted under restricted stock unit award agreements adopted by the plan administrator. Restricted stock unit awards may be granted in consideration for any form of legal consideration that may be acceptable to our board of directors and permissible under applicable law. A restricted stock unit award may be settled by cash, delivery of stock, a combination of cash and stock as deemed appropriate by the plan administrator, or in any other form of consideration set forth in the restricted stock unit award agreement. Except as otherwise provided in the applicable award agreement or other written agreement, restricted stock unit awards that have not vested will be forfeited once the participant's continuous service ends for any reason.

*Restricted Stock Awards.* Restricted stock awards are granted under restricted stock award agreements adopted by the plan administrator. A restricted stock award may be awarded in consideration for cash, check, bank draft or money order, past or future services to us, or any other form of legal consideration that may be acceptable to our board of directors and permissible under applicable law. The plan administrator determines the terms and conditions of restricted stock awards, including vesting and forfeiture terms. If a participant's service relationship with us ends for any reason, we may receive any or all of the shares of common stock held by the participant that have not vested as of the date the participant terminates service with us through a forfeiture condition or a repurchase right.

*Stock Appreciation Rights.* Stock appreciation rights are granted under stock appreciation right agreements adopted by the plan administrator. The plan administrator determines the purchase price or strike price for a stock appreciation right, which generally cannot be less than 100% of the fair market value of our common stock on



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the date of grant. A stock appreciation right granted under the 2020 Plan vests at the rate specified in the stock appreciation right agreement as determined by the plan administrator. The appreciation distribution may be made in shares of our stock, in cash, in any combination of the two, or in any other form of consideration, as determined by our board of directors and contained in the applicable award agreements.

The plan administrator determines the term of stock appreciation rights granted under the 2020 Plan, up to a maximum of ten years. If a participant's service relationship with us or any of our affiliates ceases for any reason other than cause, disability, or death, the participant may generally exercise any vested stock appreciation right for a period of three months following the cessation of service, or any other period set by the applicable award agreement, so long as such period complies with applicable law. This period may be further extended in the event that exercise of the stock appreciation right following such a termination of service is prohibited by applicable securities laws or our insider trading policy. If a participant's service relationship with us, or any of our affiliates, ceases due to disability or death, or a participant dies within a certain period following cessation of service, the participant or a beneficiary may generally exercise any vested stock appreciation right for a period of 12 months in the event of disability and 18 months in the event of death, or any other period set by the applicable award agreement, so long as such period complies with applicable law. In the event of a termination for cause, stock appreciation rights generally terminate immediately upon the occurrence of the event giving rise to the termination of the individual for cause. In no event may a stock appreciation right be exercised beyond the expiration of its term.

*Performance Awards.* The 2020 Plan permits the grant of performance-based awards. Our plan administrator may structure awards so that the shares of our stock, cash, or other property will be issued or paid only following the achievement of certain pre-established performance goals during a designated performance period. The performance criteria that will be used to establish such performance goals may be based on any measure of performance selected by the plan administrator.

The performance goals may be based on company-wide performance or performance of one or more business units, divisions, affiliates, or business segments, and may be either absolute or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. In addition, the board of directors is authorized to make adjustment in the method of calculating attainment of performance goals and objectives for a performance period as follows: (A) to exclude restructuring and/or other nonrecurring charges; (B) to exclude exchange rate effects; (C) to exclude the effects of changes to generally accepted accounting principles; (D) to exclude the effects of any statutory adjustments to corporate tax rates; (E) to exclude the effects of items that are "unusual" in nature or occur "infrequently" as determined under generally accepted accounting principles; (F) to exclude the dilutive effects of acquisitions or joint ventures; (G) to assume that any business divested by us achieved performance objectives at targeted levels during the balance of a performance period following such divestiture; (H) to exclude the effect of any change in the outstanding shares of our common stock by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (I) to exclude the effects of stock based compensation and the award of bonuses under our bonus plans; (J) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; and (K) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles.

*Other Stock Awards.* The plan administrator may grant other awards based in whole or in part by reference to our common stock. The plan administrator will set the number of shares under the stock award and all other terms and conditions of such awards.

*Changes to Capital Structure.* In the event there is a specified type of change in our capital structure, such as a stock split, reverse stock split, or recapitalization, appropriate adjustments will be made to (i) the class(es) and maximum number of shares reserved for issuance under the 2020 Plan; (ii) the class(es) and maximum number of

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shares by which the share reserve may increase automatically each year; (iii) the class(es) and maximum number of shares that may be issued on the exercise of ISOs; and (iv) the class(es) and number of shares and exercise price, strike price, or purchase price, if applicable, of all outstanding stock awards.

*Corporate Transactions or Change in Control.* The following applies to stock awards under the 2020 Plan in the event of a corporate transaction or change in control (each as defined in the 2020 Plan and together referred to as a “transaction” herein), unless otherwise provided in a participant’s stock award agreement or other written agreement with us or one of our affiliates or unless otherwise expressly provided by the plan administrator at the time of grant.

In the event of a transaction, any stock awards outstanding under the 2020 Plan may be assumed, continued or substituted for by any surviving or acquiring corporation (or its parent company), and any reacquisition or repurchase rights held by us with respect to the stock award may be assigned to the successor (or its parent company). If the surviving or acquiring corporation (or its parent company) does not assume, continue or substitute for such stock awards, then (1) with respect to any such stock awards that are held by participants whose continuous service has not terminated prior to the effective time of the transaction, or current participants, the vesting (and exercisability, if applicable) of such stock awards will be accelerated in full to a date prior to the effective time of the transaction (contingent upon the effectiveness of the transaction), and such stock awards will terminate if not exercised (if applicable) at or prior to the effective time of the transaction, and any reacquisition or repurchase rights held by us with respect to such stock awards will lapse (contingent upon the effectiveness of the transaction), and (2) any such stock awards that are held by persons other than current participants will terminate if not exercised (if applicable) prior to the effective time of the transaction, except that any reacquisition or repurchase rights held by us with respect to such stock awards will not terminate and may continue to be exercised notwithstanding the transaction.

In the event a stock award will terminate if not exercised prior to the effective time of a transaction, the plan administrator may provide, in its sole discretion, that the holder of such stock award may not exercise such stock award but instead will receive a payment equal in value to the excess (if any) of (1) the value of the property the participant would have received upon the exercise of the stock award over (2) any exercise price payable by such holder in connection with such exercise.

Under the 2020 Plan, a corporate transaction is generally the consummation of: (i) a sale of all or substantially all of our assets; (ii) the sale or disposition of at least 50% of our outstanding securities; (iii) a merger or consolidation where we do not survive the transaction; or (iv) a merger or consolidation where we do survive the transaction but the shares of our common stock outstanding immediately before such transaction are converted or exchanged into other property by virtue of the transaction.

Awards granted under the 2020 Plan may be subject to additional acceleration of vesting and exercisability upon or after a change in control as may be provided in the applicable stock award agreement or in any other written agreement between us or any affiliate and the participant, but in the absence of such provision, no such acceleration will automatically occur. Under the 2020 Plan, a change in control is generally: (i) the acquisition by any person or company of more than 50% of the combined voting power of our then outstanding stock (unless made in connection with this offering or to allow us to obtain financing through the issuance of equity securities); (ii) a consummated merger, consolidation or similar transaction in which our stockholders immediately before the transaction do not own, directly or indirectly, more than 50% of the combined voting power of the surviving entity (or the parent of the surviving entity) in substantially the same proportions as their ownership immediately prior to such transaction; (iii) a consummated sale, lease, exclusive license or other disposition of all or substantially all of our assets other than to an entity more than 50% of the combined voting power of which is owned by our stockholders in substantially the same proportions as their ownership of our outstanding voting securities immediately prior to such transaction; or (iv) when a majority of our board of directors becomes comprised of individuals who were not serving on our board of directors on the date of the 2020 Plan was adopted by the board of directors, or the incumbent board, or whose nomination, appointment, or election was not approved by a majority of the incumbent board still in office.

*Plan Amendment or Termination.* Our board of directors has the authority to amend, suspend, or terminate our 2020 Plan, provided that such action does not materially impair the existing rights of any participant without such participant's written consent. Certain material amendments also require the approval of our stockholders. No ISOs may be granted after the tenth anniversary of the date our board of directors adopts our 2020 Plan. No stock awards may be granted under our 2020 Plan while it is suspended or after it is terminated.

### **2013 Incentive Plan**

*General.* Our board of directors adopted and our stockholders approved our 2013 Plan in August 2013. We have subsequently amended our 2013 Plan in September 2014, April 2016 and August 2019, the purpose of which was to increase the number of shares available for issuance under our 2013 Plan. Our 2013 Plan will be suspended prior to the completion of this offering in connection with our adoption of our 2020 Plan; however, awards outstanding under our 2013 Plan will continue in full effect in accordance with their existing terms.

*Share Reserve.* The maximum number of shares of our common stock that may be issued under our 2013 Plan is 5,961,283 shares, plus any shares subject to stock options or other stock awards granted under the 2013 Plan that would have otherwise returned to our 2013 Plan (such as upon the expiration or termination of a stock award prior to vesting). As of March 29, 2020, options to purchase 4,915,272 shares of common stock, at exercise prices ranging from \$0.63 to \$14.83 per share, or a weighted-average exercise price of \$3.58 per share were outstanding under our 2013 Plan.

*Administration.* Our board of directors or a duly authorized committee of our board of directors administers our 2013 Plan and the stock awards granted under it. Subject to the terms of our 2013 Plan, our board of directors has full power and authority to establish rules and regulations for the administration of the 2013 Plan and to make such determinations under, and issue such interpretations of, the 2013 Plan and any outstanding stock awards thereunder as it deems necessary or advisable. Our board of directors has the full authority to determine (i) with respect to the option grants, which eligible persons are to receive option grants, the time or times when such option grants are to be made, the number of shares to be covered by each such grant, the status of the granted option as either an ISO or NSO, the time or times at which each option is to become exercisable, the vesting schedule (if any) applicable to the option shares, the maximum term for which the option is to remain outstanding, and any restrictions on transfer of shares received on the exercise of option grants, and (ii) with respect to stock issuances, which eligible persons are to receive stock issuances, the time or times when such issuances are to be made, the number of shares to be issued to each Participant, the vesting schedule (if any) applicable to the issued shares, the consideration to be paid for such shares, and any restrictions on transfer for shares issued thereunder.

*Types of Awards.* Our 2013 Plan provides for the discretionary grant of stock options, including ISOs or NSOs, and restricted stock awards to our and our affiliates' employees, members of our board of directors, consultants and other independent advisors. ISOs may be granted only to employees. We do not have any outstanding restricted stock awards under the 2013 Plan.

*Options.* The exercise price of options granted under our 2013 Plan may not be less than 100% (or 110% in the case of incentive stock options granted to certain stockholders) of the fair market value of our common stock on the grant date. Options expire at the time determined by the administrator, but in no event more than ten years after they are granted, and generally expire earlier if the optionholder's service terminates.

*Corporate Transaction.* Unless otherwise provided at the time of grant, in the event of a corporate transaction, the vesting of each outstanding option will automatically accelerate and each option will become fully exercisable immediately prior to the effective date of such corporate transaction, and if not exercised, will terminate immediately following the consummation of the corporate transaction, unless, such option is assumed, replaced or substituted with a comparable equity or cash entitlement. In addition, unless prohibited at the time of grant or assigned to the successor entity, all outstanding repurchase rights will terminate automatically upon a corporate transaction, and the shares subject to such terminated rights will immediately vest in full. Assumed

options will be adjusted as appropriate in connection with the corporate transaction. In addition, the plan administrator has the discretion to provide that all or any portion of any options that are assumed or replaced in the corporate transaction and do not otherwise accelerate at that time will be accelerated upon a subsequent termination of the option holder's service within 12 months following closing, and that the options may remain outstanding through the end of their term or through the one year anniversary of termination of service, or to provide for full acceleration of the options upon consummation of the corporate transaction, regardless of whether they are assumed or replaced.

In general, a "corporate transaction" means: (i) a merger or consolidation in which the company is not the surviving entity and in which the beneficial owners of the company prior to the transaction own less than 50% of the voting securities of the surviving entity (calculated on a fully diluted basis); (ii) a sale, transfer or other disposition of all or substantially all of our assets; (iii) a complete liquidation or dissolution of the company; (iv) the acquisition by any person or entity, or any group of persons or entities, directly or indirectly, of more than 50% of the issued and outstanding voting securities of the company (calculated on a fully diluted basis) other than in a transaction approved by a majority of the disinterested directors of the company; (v) the election to our board of directors of a majority of directors different from those persons currently serving on our board or nominees of the incumbent directors; or (vi) a public announcement of a tender or exchange offer by any person for 50% or more of the outstanding securities of the company that our board of directors approves or fails to oppose in its statements in Schedule 14D-9 under the Exchange Act unless such tender or exchange offer is approved by a majority of the disinterested directors of the company. A transaction shall not constitute a corporate transaction if its sole purpose is to change the state of the company's incorporation or to create a holding company that will be beneficially owned in substantially the same proportions by the persons or entities who held the company's securities immediately before such transaction.

**Transferability.** A participant may not transfer stock awards under our 2013 Plan other than by will, the laws of descent and distribution, or as otherwise provided under our 2013 Plan.

**Plan Amendment or Termination.** Our board of directors has the authority to amend or modify our 2013 Plan, provided that such action is approved by our stockholders to the extent stockholder approval is necessary, and provided further that no amendment or modification may be made that adversely affects the rights of a participant with respect to outstanding awards without the participant's consent. As described above, our 2013 Plan will be suspended upon the effective date of our 2020 Plan.

#### **2020 Employee Stock Purchase Plan**

**General.** Our board of directors adopted the ESPP in July 2020. We expect that our stockholders will approve, prior to the closing of this offering, our ESPP. The ESPP will become effective immediately prior to and contingent upon the execution of the underwriting agreement related to this offering. The purpose of the ESPP is to secure and retain the services of new employees, to retain the services of existing employees, and to provide incentives for such individuals to exert maximum efforts toward our success and that of our affiliates. The ESPP is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Code.

**Share Reserve.** Following this offering, the ESPP authorizes the issuance of 900,000 shares of our common stock under purchase rights granted to our employees or to employees of any of our designated affiliates. The number of shares of our common stock reserved for issuance will automatically increase on January 1 of each calendar year, beginning on January 1, 2021 (assuming the ESPP becomes effective in 2020) through January 1, 2030, by the lesser of (i) 1% of the total number of shares of our common stock outstanding on the last day of the calendar month before the date of the automatic increase and (ii) 900,000 shares of our common stock; provided that before the date of any such increase, our board of directors may determine that such increase will be less than the amount set forth in clauses (i) and (ii). As of the date hereof, no shares of our common stock have been purchased under the ESPP.

**Administration.** Our board of directors administers the ESPP and has delegated its authority to administer the ESPP to our compensation committee, which may further delegate its authority to administer the ESPP to a

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subcommittee. The ESPP is implemented through a series of offerings under which eligible employees are granted purchase rights to purchase shares of our common stock on specified dates during such offerings. Under the ESPP, we may specify offerings with durations of not more than 27 months, and may specify shorter purchase periods within each offering. The administrator will establish for each offering, one or more purchase dates on which shares of our common stock will be purchased for employees participating in the offering. An offering under the ESPP may be terminated under certain circumstances.

*Payroll Deductions.* Generally, all regular employees, including executive officers, employed by us or by any of our designated affiliates, may participate in the ESPP and may contribute, normally through payroll deductions, up to 15% of their earnings (as defined in the ESPP) for the purchase of our common stock under the ESPP. Unless otherwise determined by our board of directors, common stock will be purchased for the accounts of employees participating in the ESPP at a price per share that is at least the lesser of (i) 85% of the fair market value of a share of our common stock on the first date of an offering or (ii) 85% of the fair market value of a share of our common stock on the date of purchase.

*Limitations.* Employees may have to satisfy one or more of the following service requirements before participating in the ESPP, as determined by our board of directors, including: (i) being customarily employed for more than 20 hours per week; (ii) being customarily employed for more than five months per calendar year; or (iii) continuous employment with us or one of our affiliates for a period of time (not to exceed two years). No employee may purchase shares under the ESPP at a rate in excess of \$25,000 worth of our common stock based on the fair market value per share of our common stock at the beginning of an offering for each calendar year such a purchase right is outstanding. Finally, no employee will be eligible for the grant of any purchase rights under the ESPP if immediately after such rights are granted, such employee has voting power over 5% or more of our outstanding capital stock measured by vote or value under Section 424(d) of the Code.

*Changes to Capital Structure.* In the event that there occurs a change in our capital structure that affects the shares of our stock subject to the ESPP through such actions as a stock split, merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, liquidating dividend, combination of shares, exchange of shares, change in corporate structure, or similar transaction, the board of directors will make appropriate adjustments to: (i) the class(es) and maximum number of shares reserved under the ESPP; (ii) the class(es) and maximum number of shares by which the share reserve may increase automatically each year; (iii) the class(es) and number of shares subject to and purchase price applicable to outstanding offerings and purchase rights; and (iv) the class(es) and number of shares that are subject to purchase limits under ongoing offerings.

*Corporate Transactions.* In the event of certain significant corporate transactions, any then-outstanding rights to purchase our stock under the ESPP may be assumed, continued, or substituted for by any surviving or acquiring entity (or its parent company). If the surviving or acquiring entity (or its parent company) elects not to assume, continue, or substitute for such purchase rights, then the participants' accumulated payroll contributions will be used to purchase shares of our common stock within 10 business days before such corporate transaction, and such purchase rights will terminate immediately.

Under the ESPP, a corporate transaction is generally the consummation of: (i) a sale of all or substantially all of our assets, as determined by the board; (ii) the sale or disposition of more than 50% of our outstanding securities; (iii) a merger or consolidation where we do not survive the transaction; and (iv) a merger or consolidation where we do survive the transaction but the shares of our common stock outstanding immediately before such transaction are converted or exchanged into other property by virtue of the transaction.

*Amendment or Termination.* Our board of directors has the authority to amend or terminate our ESPP, provided that except in certain circumstances such amendment or termination may not materially impair any outstanding purchase rights without the holder's consent. We will obtain stockholder approval of any amendment to our ESPP as required by applicable law or listing requirements.

### **Limitations on Liability and Indemnification Matters**

Our amended and restated certificate of incorporation that will be in effect on the completion of this offering will contain provisions that limit the liability of our current and former directors for monetary damages to the fullest extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for any breach of fiduciary duties as directors, except liability for:

- (1) any breach of the director's duty of loyalty to the corporation or its stockholders;
- (2) any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- (3) unlawful payments of dividends or unlawful stock repurchases or redemptions; or
- (4) any transaction from which the director derived an improper personal benefit.

Such limitation of liability does not apply to liabilities arising under federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our amended and restated certificate of incorporation that will be in effect on the completion of this offering will authorize us to indemnify our directors, officers, employees and other agents to the fullest extent permitted by Delaware law. Our amended and restated bylaws that will be in effect on the completion of this offering will provide that we are required to indemnify our directors and officers to the fullest extent permitted by Delaware law and may indemnify our other employees and agents. Our amended and restated bylaws will also provide that, on satisfaction of certain conditions, we will advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding, and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in that capacity regardless of whether we would otherwise be permitted to indemnify him or her under the provisions of Delaware law. We have entered and expect to continue to enter into agreements to indemnify our directors, executive officers and other employees as determined by our board of directors. With certain exceptions, these agreements provide for indemnification for related expenses including attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe these provisions in our amended and restated certificate of incorporation and amended and restated bylaws and these indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain customary directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted for our directors, executive officers or persons controlling us, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

### **Rule 10b5-1 Sales Plans**

Our directors and officers may adopt written plans, known as Rule 10b5-1 plans, in which they will contract with a broker to buy or sell shares of our common stock on a periodic basis. Under a Rule 10b5-1 plan, a broker executes trades under parameters established by the director or officer when entering into the plan, without further direction from them. The director or officer may amend a Rule 10b5-1 plan in some circumstances and may terminate a plan at any time. Our directors and executive officers may also buy or sell additional shares outside of a Rule 10b5-1 plan when they do not possess of material nonpublic information, subject to compliance with the terms of our insider trading policy.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Other than compensation arrangements for our directors and executive officers, which are described elsewhere in this prospectus, below we describe transactions since January 1, 2017 to which we were a party or will be a party, in which:

- the amounts involved exceeded or will exceed \$120,000; and
- any of our directors, executive officers or holders of more than 5% of our capital stock, or any member of the immediate family of, or person sharing the household with, the foregoing persons, had or will have a direct or indirect material interest.

### Series D Convertible Preferred Stock Financing

In April 2017, we issued and sold an aggregate of 3,000,392 shares of our Series D convertible preferred stock at a purchase price of \$3.7013 per share, for an aggregate purchase price of \$11.1 million. Each share of our Series D convertible preferred stock will convert automatically into one share of our common stock immediately prior to the completion of this offering.

The table below sets forth the number of shares of our Series D convertible preferred stock purchased by beneficial owners of more than 5% of our capital stock or their affiliated entities.

<u>Stockholder</u>	<u>Shares of Series D Convertible Preferred Stock</u>	<u>Total Purchase Price (\$)</u>
Entities affiliated with Sunrise Strategic Partners, LLC	2,701,724	10,000,005
Bowie Strategic Investments, Inc.	298,668	1,105,475

Our former director Steve Young is executive vice president and managing director at Sunrise Strategic Partners. Our director Glenda Flanagan is an executive vice president and senior advisor at Whole Foods, which is our largest retail customer.

### 2019 Common Stock Financing

In March and April 2019, we issued and sold an aggregate of 2,815,012 shares of our common stock at a purchase price of \$5.3286 per share, for an aggregate purchase price of \$15.0 million, to entities associated with Manna Tree Partners. As a result of these transactions, these entities collectively hold more than 5% of our capital stock. Brent Drever, a member of our board of directors, is the co-founder and chief operating officer of Manna Tree Partners.

### 2019 Stock Buyback

In April and May 2019, we entered into a series of agreements pursuant to which we repurchased an aggregate of 2,852,770 shares of our common stock at a purchase price of \$5.3286 per share, for an aggregate purchase price of \$15.2 million, from existing investors.

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The table below sets forth the number of shares of common stock repurchased from beneficial owners of more than 5% of our capital stock, our directors, officers or their respective affiliates.

<u>Stockholder</u>	<u>Shares of Common Stock Repurchased</u>	<u>Total Repurchase Price (\$)</u>
Matthew O'Hayer	1,670,888	8,903,459
Entities affiliated with Jason Jones	534,236	2,846,716
Entities affiliated with SJF Ventures	162,980	868,451
Entities affiliated with InvestEco Capital Corp.	145,100	773,167
Russell Diez-Canseco	66,825	356,087
Jason Dale	41,414	220,678
Scott Marcus	11,980	63,837

Matthew O'Hayer is our founder, executive chairman and a member of our board of directors. Jason Jones is a former member of our board of directors and current board observer. Our former director Alan Kelley is a managing director at SJF Ventures, and our former director Andrew Heintzman is managing partner at InvestEco. Russell Diez-Canseco is our president, chief executive officer and a member of our board of directors. Jason Dale and Scott Marcus are our chief operating officer and chief marketing officer, respectively.

### 2017 Secondary Sales

In June 2017, certain of our stockholders, including Matthew O'Hayer and Jason Jones, sold shares of our common stock at a price of \$3.7013 per share to Rose Impact Venture Fund, LLC. Rose Impact Venture Fund, LLC purchased 40,759 shares of our common stock from Mr. O'Hayer for an aggregate purchase price of \$150,867, and 6,334 shares of our common stock from Mr. Jones for an aggregate purchase price of \$23,448.

### 2017 Note Issuances

In March 2017, we issued an aggregate of \$4.0 million in principal amount of 14% senior subordinated promissory notes, or the 2017 Notes. The table below sets forth the aggregate principal amount of the 2017 Notes issued to beneficial owners of more than 5% of our capital stock, our directors, officers or their respective affiliates.

<u>Stockholder</u>	<u>Total Principal Amount (\$)</u>
Bowie Strategic Investments, Inc.	2,000,000
Matthew O'Hayer	370,000
Entities affiliated with InvestEco Capital Corp.	100,000
Russell Diez-Canseco	100,000
Jason Dale	30,000

In October 2017, we repaid in full all principal and interest under, and cancelled, the 2017 Notes.

### Relationship with Ovabrite, Inc.

In May 2016, we entered into a master joint development and production distribution agreement, or the JDPD Agreement, with Novatrans Group SA, or Novatrans, for the development of certain technology related to determining certain properties of an egg, including fertility.

Pursuant to the JDPD Agreement, in December 2016, we entered into an assignment agreement with Ovabrite, Inc., or Ovabrite, whereby we granted and assigned to Ovabrite all of our rights and obligations under the JDPD Agreement. In consideration for the assignment and grant of rights under the JDPD Agreement,



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Ovabrite issued an unsecured promissory note in a principal amount of \$0.4 million, or the First Note, to us that represented the total cash paid by us to Novatrans under the JDPD Agreement. Interest on the First Note accrued at an annual rate of 1.46%, and Ovabrite was required to make semi-annual payments on amounts outstanding under the First Note, including any accrued but unpaid interest, until the First Note matured on December 23, 2021.

Additionally, in December 2016, we extended an unsecured line of credit to Ovabrite to be used for working capital under which Ovabrite's maximum borrowing capacity was \$50,000, or the Ovabrite Line of Credit. Interest on the Ovabrite Line of Credit accrued at an annual rate of 1.46%, and Ovabrite was required to make semi-annual payments on amounts outstanding under the line of credit, including any accrued but unpaid interest, until the Ovabrite Line of Credit matured on December 23, 2021. There were no outstanding borrowings under Ovabrite Line of Credit as of March 29, 2020.

In December 2016, we entered into a services agreement with Ovabrite under which we provide certain administrative services to Ovabrite in exchange for a monthly management fee. The management fees incurred by Ovabrite for fiscal years 2017, 2018 and 2019 were \$36,000, \$36,000 and \$6,000, respectively. The management fees incurred by Ovabrite for the fiscal quarter ended March 29, 2020 were \$1,500.

In November 2017, Ovabrite modified the First Note and the Ovabrite Line of Credit and issued a 1.45% unsecured convertible promissory note to us in a principal amount of \$0.5 million plus previously accrued and unpaid interest of \$6,460, or the Ovabrite Convertible Note. In the event of a qualified sale of Ovabrite equity securities to one or more investors resulting in gross proceeds to Ovabrite of at least \$1.0 million, all principal and accrued and unpaid interest on the Ovabrite Convertible Note was automatically convertible into a number of shares of Ovabrite's equity securities issued in such a financing equal to the outstanding principal and accrued but unpaid interest on the Ovabrite Convertible Note, divided by an amount equal to 80% of the lowest price per share of the equity security sold in the financing. In the event of a non-qualified sale of Ovabrite equity securities, or a Nonqualified Financing, all principal and accrued and unpaid interest on the Ovabrite Convertible Note was contingently convertible into a number of shares of Ovabrite's equity securities issued in such a financing equal to the outstanding principal and accrued but unpaid interest on the Ovabrite Convertible Note, divided by an amount equal to 80% of the lowest price per share of the equity security sold in the financing.

In November 2017, Ovabrite issued 1,065,038 shares of convertible preferred stock, or the Series 2017 Preferred Stock, at \$0.14 per share for gross proceeds of \$150,000, which constituted a Nonqualified Financing. In January 2018, Ovabrite issued 177,506 shares of Series 2017 Preferred Stock at \$0.14 per share for gross proceeds of \$25,000. In April 2018, as a result of the Nonqualified Financing event that occurred in November 2017, we elected to exercise our option to convert the outstanding principal balance of the Ovabrite Convertible Note into 4,459,490 shares of Series 2017 Preferred Stock at a conversion price of \$0.112672 per share.

We and our directors, officers and 5% holders collectively own a majority of the common stock of Ovabrite, with Matthew O'Hayer being the largest holder. Matthew O'Hayer and our director Karl Khoury serve as the directors of Ovabrite. Mr. O'Hayer is the chief executive officer of Ovabrite and Jason Dale is the chief financial officer of Ovabrite.

### **Relationship with Whole Foods**

We serve the majority of our natural channel retail customers through food distributors, such as US Foods, which purchases, stores, sells and delivers our products to Whole Foods, and UNFI, which was Whole Foods' distributor through March 2020. As a result, we are not able to precisely attribute our net revenue to Whole Foods. In fiscal years 2017, 2018 and 2019, UNFI accounted for approximately 36%, 36% and 35% of our net revenue, respectively. In the fiscal quarter ended March 29, 2020, UNFI accounted for approximately 33% of our net revenue. We rely on third-party data and internal analysis to calculate the portion of retail sales attributable to Whole Foods. Based on this third-party data and internal analysis, Whole Foods accounted for approximately

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37%, 33% and 31% of our retail sales in fiscal years 2017, 2018 and 2019, respectively, and approximately 32% of our retail sales for the fiscal quarter ended March 29, 2020. We have also entered into certain chargeback and vendor agreements with Whole Foods. We recorded chargebacks as a net amount from our gross revenue of approximately \$256,000 and \$402,000 for fiscal years 2018 and 2019, respectively, and approximately \$215,000 for the fiscal quarter ended March 29, 2020. Products sold pursuant to the vendor agreement accounted for approximately \$915,000, \$1.6 million and \$1.9 million of our net revenue in fiscal years 2017, 2018 and 2019, respectively, and approximately \$503,000 for the fiscal quarter ended March 29, 2020. Our director Glenda Flanagan is an executive vice president and senior advisor at Whole Foods.

### **Agreements with Sandpebble Builders Preconstruction**

In September 2016, we entered into a consulting contract with Sandpebble Builders Preconstruction, Inc., or Sandpebble, for project management services for our initial construction of Egg Central Station, including in relation to design, procurement, scheduling, site control and certifications. In 2019, we entered into a subsequent consulting contract with Sandpebble for similar project management services in connection with our expansion of Egg Central Station. Victor Canseco, the owner and principal of Sandpebble, is the father of Russell Diez-Canseco, our president, chief executive officer and a member of our board of directors. Pursuant to our consulting agreements with Sandpebble, we paid Sandpebble approximately \$1.2 million, \$211,000 and \$556,000 in fiscal 2017, 2018 and 2019, respectively, and \$223,000 in the fiscal quarter ended March 29, 2020.

### **Director Loans**

In February 2019, we loaned \$3.2 million to Matthew O'Hayer and \$800,000 to Jason Jones, which we collectively refer to as the 2019 Director Loans. Each of the 2019 Director Loans was made pursuant to a non-recourse promissory note with interest at a rate per annum calculated at the lower of (i) the maximum applicable non-usurious rate of interest and (ii) the LIBOR rate (as defined in the Credit Facility), as such rate may be in effect from time to time, plus 2%. The initial interest rate on the 2019 Director Loans was 4.78%. Unless a 2019 Director Loan is accelerated in accordance with its terms, we will terminate it upon the earliest to occur of (i) August 7, 2022, (ii) the date of closing of a Liquidity Transaction (as defined in the applicable 2019 Director Loan) and (iii) prior to the time such note would be prohibited by the Sarbanes-Oxley Act.

In connection with his promissory note, Mr. Jones pledged and assigned to us a security interest in 333,561 shares of our common stock held by him.

As security for the payment of our obligations under the Credit Facility, in February 2019 we collaterally assigned and granted a security interest in the 2019 Director Loans to PNC Bank, National Association, including all rights to receive payments under the 2019 Director Loans and all proceeds thereof.

Mr. O'Hayer repaid his 2019 Director Loan in full on November 26, 2019. As of March 29, 2020, the balance of the 2019 Director Loan to Mr. Jones was \$836,108, including principal and \$36,108 of accrued interest.

### **Stockholders Agreement**

In connection with our convertible preferred stock and common stock financings, we entered into a stockholders agreement, as subsequently amended and restated, which contains, among other things, registration rights, information rights, voting rights with respect to the election of directors, co-sale rights and rights of first refusal, with certain holders of our capital stock. The parties to the stockholders agreement include: entities affiliated with Arborview Capital Partners LP, where our director Karl Houry is a partner; entities affiliated with Bowie Strategic Investments, Inc., entities affiliated with Inherent Group, LLC, where our former director Anthony Davis is chief executive officer and chief investment officer; entities affiliated with InvestEco Capital Corp; entities affiliated with Manna Tree Partners; entities affiliated with SJF Ventures; and entities affiliated with Sunrise Strategic Partners, LLC.

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This stockholders agreement will terminate upon the completion of this offering, except with respect to registration rights, as more fully described in the section titled “Description of Capital Stock—Stockholder Registration Rights.” See also the section titled “Principal and Selling Stockholders” for additional information regarding beneficial ownership of our capital stock.

### **Right of First Refusal**

Pursuant to our bylaws and the stockholders agreement described above, we, our assignees and certain holders of our capital stock (including entities that hold more than 5% of our capital stock and entities that are affiliated with certain of our directors) have a right to purchase shares of our capital stock that our stockholders propose to sell to other parties, subject to certain exceptions. These rights will terminate immediately prior to completion of this offering. Since January 1, 2017, we have waived our right of first refusal in connection with certain sales of shares of our capital stock, including the June 2017 sales by Matthew O’Hayer and Jason Jones, as described above. See the section titled “Principal and Selling Stockholders” for additional information regarding beneficial ownership of our capital stock.

### **Liquidity Commitment Agreements**

In connection with certain of our sales of capital stock, Matthew O’Hayer entered into agreements with us and certain of our stockholders, including certain beneficial owners of more than 5% of our capital stock and entities affiliated with certain of our directors, to use his commercially reasonable best efforts to cause us to list our common stock on a securities exchange or enter into one or more liquidity transactions. Upon the completion of this offering, these agreements will be satisfied in full.

### **Equity Grants to Directors and Executive Officers**

We have granted stock options to certain of our directors and executive officers. For more information regarding the stock options and stock awards granted to our directors and named executive officers, see the sections titled “Management—Director Compensation” and “Executive Compensation.”

### **Directed Share Program**

At our request, the underwriters have reserved for sale, at the initial public offering price per share, up to 5% of the shares of common stock offered by this prospectus for sale to certain individuals, including our directors, employees and certain friends and family of Vital Farms identified by our directors and management. The directed share program will not limit the ability of our directors, officers and their family members, or holders of more than 5% of our common stock, to purchase more than \$120,000 in value of our common stock. We do not currently know the extent to which these related persons will participate in our directed share program, if at all, or to the extent they will purchase more than \$120,000 in value of our common stock.

### **Indemnification Agreements**

Our amended and restated certificate of incorporation that will be in effect on the completion of this offering will contain provisions limiting the liability of directors, and our amended and restated bylaws that will be in effect on the completion of this offering will provide that we will indemnify each of our directors and officers to the fullest extent permitted under Delaware law. Our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect on the completion of this offering will also provide our board of directors with discretion to indemnify our employees and other agents when determined appropriate by the board. In addition, we have entered into an indemnification agreement with each of our directors and executive officers, which requires us to indemnify them. For more information regarding these agreements, see the section titled “Executive Compensation—Limitations on Liability and Indemnification Matters.”

**Policies and Procedures for Transactions with Related Persons**

Prior to the completion of this offering, we intend to adopt a policy that our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of any class of our common stock and any members of the immediate family of any of the foregoing persons are not permitted to enter into a related person transaction with us without the approval or ratification of our board of directors or our audit committee. Any request for us to enter into a transaction with an executive officer, director, nominee for election as a director, beneficial owner of more than 5% of any class of our common stock or any member of the immediate family of any of the foregoing persons, in which the amount involved exceeds \$120,000 and such person would have a direct or indirect interest, must be presented to our board of directors or our audit committee for review, consideration and approval. In approving or rejecting any such proposal, our board of directors or our audit committee is to consider the material facts of the transaction, including whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person's interest in the transaction.

## PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our shares as of July 9, 2020 by:

- each named executive officer;
- each of our directors;
- our directors and executive officers as a group
- each of the selling stockholders; and
- each person or entity known by us to own beneficially more than 5% of our common stock.

We have determined beneficial ownership in accordance with the rules and regulations of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Except as indicated by the footnotes below, we believe, based on information furnished to us, that the persons and entities named in the table below have sole voting and sole investment power with respect to all shares that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership before this offering is based on 34,381,443 shares of common stock outstanding as of July 9, 2020, assuming the automatic conversion of all outstanding shares of convertible preferred stock into 8,192,876 shares of common stock, which will occur immediately prior to the completion of this offering. Applicable percentage ownership after this offering, both assuming no exercise and assuming full exercise of the underwriters' option to purchase 1,171,875 additional shares of common stock from the selling stockholders, is based on 39,421,768 shares of common stock outstanding immediately after the completion of this offering. In computing the number of shares beneficially owned by a person and the percentage ownership of such person, we deemed to be outstanding all shares subject to options held by the person that are currently exercisable, or exercisable or would vest based on service-based vesting conditions within 60 days of July 9, 2020. However, except as described above, we did not deem such shares outstanding for the purpose of computing the percentage ownership of any other person. The following table does not reflect any shares of our common stock that may be purchased pursuant to our directed share program described under "Underwriting."

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Unless otherwise indicated, the address for each beneficial owner listed in the table below is c/o Vital Farms, Inc., 3601 South Congress Avenue, Suite C100, Austin, Texas 78704.

Name of Beneficial Owner	Beneficial Ownership Before this Offering		Number of Shares Being Offered		Beneficial Ownership After this Offering			
			Assuming the Underwriters' Option is Not Exercised	Assuming the Underwriters' Option is Exercised in Full	Assuming the Underwriters' Option is Not Exercised		Assuming the Underwriters' Option is Exercised in Full	
	Shares	%	Not Exercised	Exercised in Full	Shares	%	Shares	%
<b>5% Stockholders:</b>								
Jason Jones <sup>(1)</sup>	4,442,410	12.7%	316,979	476,459	4,125,431	10.3%	3,965,951	9.9%
Bowie Strategic Investments, Inc. <sup>(2)</sup>	3,379,251	9.8%	279,864	420,671	3,099,387	7.9%	2,958,580	7.5%
Entities affiliated with Manna Tree Partners <sup>(3)</sup>	2,815,012	8.2%	233,135	286,348	2,581,877	6.5%	2,528,664	6.4%
Entities affiliated with SJF Ventures <sup>(4)</sup>	2,811,744	8.2%	232,864	286,014	2,578,880	6.5%	2,525,730	6.4%
Entities affiliated with Sunrise Strategic Partners <sup>(5)</sup>	2,701,724	7.9%	223,759	336,341	2,477,965	6.3%	2,365,383	6.0%
Arborview Capital Partners LP <sup>(6)</sup>	2,258,129	6.6%	187,015	227,749	2,071,114	5.3%	2,030,380	5.2%
<b>Directors and Named Executive Officers:</b>								
Matthew O'Hayer <sup>(7)</sup>	12,300,369	35.6%	1,007,703	1,514,706	11,292,666	28.5%	10,785,663	27.3%
Russell Diez-Canseco <sup>(8)</sup>	831,845	2.4%	—	—	831,845	2.1%	831,845	2.1%
Brent Drever <sup>(9)</sup>	2,815,012	8.2%	233,135	286,348	2,581,877	6.5%	2,528,664	6.4%
Glenda Flanagan <sup>(10)</sup>	3,379,251	9.8%	279,864	420,671	3,099,387	7.9%	2,958,580	7.5%
Daniel Jones <sup>(11)</sup>	24,600	*	—	—	24,600	*	24,600	*
Kelly Kennedy <sup>(12)</sup>	12,363	*	—	—	12,363	*	12,363	*
Karl Khoury <sup>(13)</sup>	2,258,129	6.6%	187,015	227,749	2,071,114	5.3%	2,030,380	5.2%
Scott Marcus <sup>(14)</sup>	109,731	*	—	—	109,731	*	109,731	*
Denny Marie Post <sup>(15)</sup>	12,363	*	—	—	12,363	*	12,363	*
Gisel Ruiz <sup>(16)</sup>	5,712	*	—	—	5,712	*	5,712	*
All current directors and executive officers as a group (10 persons) <sup>(17)</sup>	22,129,228	61.7%	1,707,717	2,449,474	20,421,511	49.9%	19,679,754	48.1%
<b>Other Selling Stockholders:</b>								
Entities affiliated with InvestEco Capital Corp.	1,215,688	3.5%	100,681	151,336	1,115,007	2.8%	1,064,352	2.7%
Lawrence Schwartz	1,161,193	3.4%	96,168	144,552	1,065,025	2.7%	1,016,641	2.6%
Seek Capital Partnership	140,819	*	11,662	17,529	129,157	*	123,290	*
Paul Marsiglio	81,098	*	32,438	32,438	48,660	*	48,660	*
Michael de Pencier	71,223	*	17,806	17,806	53,417	*	53,417	*
Catharine Doncaster	27,032	*	10,814	10,814	16,218	*	16,218	*
Jackie Sleeper	10,688	*	10,688	10,688	—	*	—	*
Terry Gray	8,634	*	8,634	8,634	—	*	—	*
Andrew Snyder	1,967	*	1,967	1,967	—	*	—	*

\* Represents beneficial ownership of less than 1%.

(1) Includes (a) 333,561 shares held by The Jones Management Trust, formed 8/31/2018, of which Mr. Jones is trustee, (b) 763,461 shares held by The MIPOTH-C Trust, formed 8/31/2018, of which Mr. Jones is trustee, (c) 763,461 shares held by The MIPOTH-J Trust, formed 7/25/2018, of which Mr. Jones is trustee, (d) 1,966,927 shares held by The NANAPA Trust, formed 7/25/2018, of which Mr. Jones is trustee, and (e) 615,000 shares underlying outstanding options that are immediately exercisable or will be immediately

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- exercisable within 60 days of July 9, 2020. In connection with a loan we made to Mr. Jones pursuant to a non-recourse promissory note, Mr. Jones pledged and assigned to us a security interest in 333,561 of such shares, as further described under “Certain Relationships and Related Party Transactions—Director Loans.” Excludes 123,000 shares that each of The MIPOTH-C Trust and The MIPOTH-J Trust may acquire from Matthew O’Hayer at any time on or prior to September 1, 2023 upon exercise of call options pursuant to agreements among Mr. O’Hayer, Mr. Jones and such trusts.
- (2) Bowie Strategic Investments, Inc. (“Bowie”) is a wholly owned subsidiary of Whole Foods Market, Inc. (“WFM”). Amazon.com, Inc. is the ultimate parent company of WFM. John Mackey, Keith Manbeck, Jason Buechel, A.C. Gallo, Sonya Gafsi Oblisk, Glenda Flanagan, James Sud, Christina Minardi and Rob Twyman comprise the investment committee of Bowie and, as a result, may be deemed to share voting and investment power with respect to the shares held by Bowie. The address of Bowie Strategic Investments, Inc. is 550 Bowie Street, Austin, Texas 78703.
  - (3) The shares are held by MTP C001 Holdings, LLC (“MTP LLC”). Manna Tree Partner Fund I GP, L.P. (“MTP I”) is the manager of MTP LLC. Manna Tree Partners GP, LLC (“MTP GP”) is the general partner of MTP I. Gabrielle Rubenstein, Ross Iverson and Brent Drever (collectively, the “Investment Committee”) comprise the investment committee of MTP GP and, as a result, may be deemed to share voting and investment power with respect to the shares held by MTP LLC. The address of each of these entities is 2121 North Frontage Road West, Suite 207, Vail, Colorado 81657.
  - (4) Includes (a) 2,448,742 shares held by SJF Ventures III, L.P. (“SJF III”) and (b) 363,002 shares held by SJF Ventures IIIA, L.P. (“SJF IIIA” and with SJF III, the “SJF Entities”). SJF GP III, LLC (“SJF GP”) is the general partner of SJF III and SJF GP IIIA, LLC (“SJF GPA”) is the general partner of SJF IIIA. Richard Defieux, David Griest, Arrun Kapoor, Alan Kelley, David Kirkpatrick and Cody Nystrom (collectively, the “Managing Directors”) are the managing members of each of SJF GP and SJF GPA and, as a result, may be deemed to share voting and investment power with respect to the shares held by each of the SJF Entities. The address of each of these entities is 200 North Mangum Street, Suite 203, Durham, North Carolina 27701.
  - (5) The shares are held by SSP Vital Farms Holdings, LLC. Sunrise Strategic Partners LLC (“Sunrise”) is the managing member of SSP. Danny James, Jamie Manges, Grant Palmer and Steve Hughes comprise the board of Sunrise and, as a result, may be deemed to collectively exercise voting and investment power with respect to the shares held by SSP. The address of each of these entities is 1426 Pearl Street, Suite 206, Boulder, Colorado 80302.
  - (6) Arborview Capital GP LLC (“ACGP”) is the general partner of Arborview Capital Partners LP (“ACP”). Joseph Lipscomb and Karl Khoury are the managing members and the members of the investment committee of ACP and, as a result, may be deemed to share voting and investment power with respect to the shares held by ACP. The address of ACP is 5425 Wisconsin Avenue, Suite 704, Chevy Chase, Maryland 20815.
  - (7) Includes 132,770 shares underlying outstanding options that are immediately exercisable or will be immediately exercisable within 60 days of July 9, 2020. Includes 307,500 shares that are transferable upon exercise of call options held by The MIPOTH-C Trust in respect of 123,000 shares, The MIPOTH-J Trust in respect of 123,000 shares and Russell Diez-Canseco in respect of 61,500 shares.
  - (8) Includes 831,845 shares underlying outstanding options that are immediately exercisable or will be immediately exercisable within 60 days of July 9, 2020. Excludes 61,500 shares that Mr. Diez-Canseco may acquire from Matthew O’Hayer upon exercise of a call option pursuant to an agreement between Mr. O’Hayer and Mr. Diez-Canseco, which is immediately exercisable or will be immediately exercisable with respect to 49,200 of such shares within 60 days of July 9, 2020.
  - (9) Consists of the shares described in footnote (3).
  - (10) Consists of the shares described in footnote (2).
  - (11) Includes 24,600 shares underlying outstanding options that are immediately exercisable or will be immediately exercisable within 60 days of July 9, 2020.
  - (12) Includes 12,363 shares underlying outstanding options that are immediately exercisable or will be immediately exercisable within 60 days of July 9, 2020.
  - (13) Consists of the shares described in footnote (6).
  - (14) Includes 109,731 shares underlying outstanding options that are immediately exercisable or will be immediately exercisable within 60 days of July 9, 2020.
  - (15) Includes 12,363 shares underlying outstanding options that are immediately exercisable or will be immediately exercisable within 60 days of July 9, 2020.
  - (16) Includes 5,712 shares underlying options that are immediately exercisable or will be exercisable within 60 days of July 9, 2020.
  - (17) Includes 1,508,991 shares underlying outstanding options that are immediately exercisable or will be immediately exercisable within 60 days of July 9, 2020.

## DESCRIPTION OF CAPITAL STOCK

### General

The following description of our capital stock and certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws are summaries and are qualified by reference to the amended and restated certificate of incorporation and the amended and restated bylaws that will be in effect on the completion of this offering. Copies of these documents have been filed with the SEC as exhibits to our registration statement, of which this prospectus forms a part. The descriptions of our common stock and preferred stock reflect changes to our capital structure that will be in effect on the completion of this offering.

On the completion of this offering, our amended and restated certificate of incorporation will provide for one class of common stock and will authorize shares of undesignated preferred stock, the rights, preferences and privileges of which may be designated from time to time by our board of directors.

Upon the completion of this offering, our authorized capital stock will consist of 320,000,000 shares, all with a par value of \$0.0001 per share, of which:

- 310,000,000 shares will be designated common stock; and
- 10,000,000 shares will be designated preferred stock.

As of March 29, 2020, we had 34,135,444 shares of common stock outstanding, which assumes the automatic conversion of all outstanding shares of convertible preferred stock into shares of common stock.

Our common stock was held by 29 stockholders of record as of March 29, 2020. Our board of directors is authorized, without stockholder approval except as required by the listing standards of Nasdaq, to issue additional shares of our capital stock.

### Common Stock

#### *Voting Rights*

Each holder of common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders. The affirmative vote of holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of capital stock, voting as a single class, will be required to amend certain provisions of our amended and restated certificate of incorporation, including provisions relating to amending our amended and restated bylaws, the classified board, the size of our board, removal of directors, director liability, vacancies on our board, special meetings, stockholder notices, actions by written consent, exclusive jurisdiction and our public benefit corporation purpose.

#### *Economic Rights*

*Dividends and Distributions.* Subject to preferences that may apply to any outstanding preferred stock, holders of our common stock are entitled to receive ratably any dividends that our board of directors may declare out of funds legally available for that purpose on a non-cumulative basis.

*Liquidation Rights.* In the event of our liquidation, dissolution or winding up, holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any outstanding preferred stock.

#### *No Preemptive or Similar Rights*

Holders of our common stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate and issue in the future.



### ***Fully Paid and Non-Assessable***

In connection with this offering, our legal counsel will opine that the shares of our common stock to be issued under this offering will be fully paid and non-assessable.

### **Preferred Stock**

As of March 29, 2020, there were 8,192,876 shares of our convertible preferred stock outstanding. Immediately prior to the completion of this offering, each outstanding share of our convertible preferred stock will automatically convert into one share of our common stock.

On the completion of this offering and under our amended and restated certificate of incorporation that will be in effect on the completion of this offering, our board of directors may, without further action by our stockholders, fix the rights, preferences, privileges and restrictions of up to an aggregate of 10,000,000 shares of preferred stock in one or more series and authorize their issuance. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of our common stock. Any issuance of our preferred stock could adversely affect the voting power of holders of our common stock, and the likelihood that such holders would receive dividend payments and payments on liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control or other corporate action. On the completion of this offering, no shares of preferred stock will be outstanding. We have no present plan to issue any shares of preferred stock.

### **Options**

As of March 29, 2020, 4,915,272 shares of our common stock were issuable on the exercise of outstanding options to purchase shares of our common stock under our 2013 Plan, with a weighted-average exercise price of \$3.58 per share.

### **Registration Rights**

#### ***Stockholder Registration Rights***

We are party to a stockholders agreement that provides that certain holders of our capital stock, including certain holders of at least 5% of our capital stock and entities affiliated with certain of our directors, have certain registration rights, as set forth below. This stockholders agreement was entered into as of July 6, 2020. The registration of shares of our common stock by the exercise of registration rights described below would enable the holders to sell these shares without restriction under the Securities Act when the applicable registration statement is declared effective. We will pay the registration expenses, other than underwriting discounts and commissions, of the shares registered by the demand, piggyback and Form S-3 registrations described below.

Generally, in an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions, to limit the number of shares such holders may include. The demand, piggyback and Form S-3 registration rights described below will expire upon the earliest to occur of: (a) the third anniversary of the completion of this offering; (b) the closing of a Deemed Liquidation Event, as defined in our amended and restated certificate of incorporation; or (c) with respect to any particular stockholder, such time as such stockholder holds less than 3% of our then-outstanding common stock and can sell all of its shares under Rule 144 under the Securities Act or another similar exemption during any three-month period, except that such stockholder's piggyback registration rights will expire on the second anniversary of the completion of this offering.

#### ***Demand Registration Rights***

The holders of an aggregate of 16,371,629 shares of our common stock as of March 29, 2020 (after giving effect to sales by selling stockholders in this offering, assuming no exercise of the underwriters' option to purchase additional shares from the selling stockholders) will be entitled to certain demand registration rights. At

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any time beginning 180 days after the effective date of the registration statement, of which this prospectus is a part, such holders are entitled to registration rights under the stockholders agreement, on not more than one occasion, provided that the holders of at least 10% of such shares as are then outstanding request that we register all or a portion of their shares. Such request for registration must cover shares with an anticipated aggregate offering price, net of underwriting discounts and commissions, of at least \$15 million.

### ***Piggyback Registration Rights***

In connection with this offering, the holders of an aggregate of 33,782,031 shares of our common stock, as well as holders of 946,925 shares of our common stock issuable upon the exercise of outstanding vested and unvested stock options, as of March 29, 2020 were entitled to, and the necessary percentage of holders waived, their rights to notice of this offering and to include their shares of registrable securities in this offering. After this offering, in the event that we propose to register any of our securities under the Securities Act, either for our own account or for the account of other security holders, the holders of these shares will be entitled to certain piggyback registration rights allowing such holders to include their shares in such registration, subject to certain marketing and other limitations. As a result, whenever we propose to file a registration statement under the Securities Act, subject to certain exceptions, the holders of these shares are entitled to notice of the registration and have the right to include their shares in the registration, subject to limitations that the underwriters may impose on the number of shares included in the offering.

### ***Form S-3 Registration Rights***

The holders of an aggregate of 16,371,629 shares of common stock as of March 29, 2020 (after giving effect to sales by selling stockholders in this offering, assuming no exercise of the underwriters' option to purchase additional shares from the selling stockholders) will be entitled to certain Form S-3 registration rights. If we are eligible to file a registration statement on Form S-3, these holders have the right, upon written request from holders of at least 10% of such shares as are then outstanding, to have such shares registered by us if the anticipated aggregate offering price of such shares, net of underwriting discounts and commissions, is at least \$5 million, subject to exceptions set forth in the stockholders agreement.

### ***Anti-Takeover Provisions***

#### ***Certificate of Incorporation and Bylaws***

Among other things, our amended and restated certificate of incorporation and amended and restated bylaws will:

- permit our board of directors to issue up to 10,000,000 shares of preferred stock, with any rights, preferences and privileges as they may designate, including the right to approve an acquisition or other change in control;
- provide that the authorized number of directors may be changed only by resolution of our board of directors;
- provide that our board of directors will be classified into three classes of directors;
- provide that, subject to the rights of any series of preferred stock to elect directors, directors may only be removed for cause, which removal may be effected, subject to any limitation imposed by law, by the holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of capital stock entitled to vote generally at an election of directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and not be taken by written consent or electronic transmission;

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- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide advance notice in writing, and also specify requirements as to the form and content of a stockholder's notice;
- provide that special meetings of our stockholders may be called only by the chairman of our board of directors, our chief executive officer or by our board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors; and
- not provide for cumulative voting rights, therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose.

The amendment of any of these provisions would require approval by the holders of at least 66 2/3% of the voting power of all of our then-outstanding common stock entitled to vote generally in the election of directors, voting together as a single class.

The combination of these provisions will make it more difficult for our existing stockholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Because our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management. In addition, the authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change our control.

These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to reduce our vulnerability to hostile takeovers and to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and may have the effect of delaying changes in our control or management. As a consequence, these provisions may also inhibit fluctuations in the market price of our stock that could result from actual or rumored takeover attempts. We believe that the benefits of these provisions, including increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure our company, outweigh the disadvantages of discouraging takeover proposals, because negotiation of takeover proposals could result in an improvement of their terms.

### ***Public Benefit Corporation Status***

We are a public benefit corporation under Section 362 of the Delaware General Corporation Law. Pursuant to our amended and restated certificate of incorporation, we may not, without the approval of the holders of 66 2/3% of the voting power of our outstanding stock, amend our certificate of incorporation to delete or amend a provision relating to our public benefit corporation status or our public benefit purpose (or effect a merger or consolidation involving stock consideration with an entity that is not a public benefit corporation with an identical public benefit to ours).

Additionally, as a public benefit corporation, our board of directors is required by the Delaware General Corporation Law to manage or direct our business and affairs in a manner that balances the pecuniary interests of our stockholders, the best interests of those materially affected by our conduct, and the specific public benefits identified in our certificate of incorporation. Under the Delaware General Corporation Law, our stockholders may bring a derivative suit to enforce this requirement only if they own (individually or collectively), at least 2% of our outstanding shares or, upon the completion of this offering, the lesser of such percentage or shares of at least \$2 million in market value.

We believe that our public benefit corporation status will make it more difficult for another party to obtain control of us without maintaining our public benefit corporation status and purpose.

### ***Section 203 of the Delaware General Corporation Law***

When we have a class of voting stock that is either listed on a national securities exchange or held of record by more than 2,000 stockholders, we will be subject to Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, subject to certain exceptions.

### ***Choice of Forum***

Our amended and restated certificate of incorporation to be effective on the completion of this offering will provide that the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) is the exclusive forum for actions or proceedings brought under Delaware statutory or common law: (1) any derivative action or proceeding brought on our behalf; (2) any action asserting a breach of fiduciary duty; (3) any action asserting a claim against us arising under the Delaware General Corporation Law; (4) any action regarding our amended and restated certificate of incorporation or our amended and restated bylaws; (5) any action as to which the Delaware General Corporation Law confers jurisdiction to the Court of Chancery of the State of Delaware; or (6) any action asserting a claim against us that is governed by the internal affairs doctrine.

In addition, our amended and restated certificate of incorporation will provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act.

### **Limitations of Liability and Indemnification**

See the section titled “Executive Compensation—Limitations on Liability and Indemnification Matters.”

### **Exchange Listing**

Our common stock is currently not listed on any securities exchange. We have applied to have our common stock approved for listing on The Nasdaq Stock Market under the symbol “VITL.”

### **Transfer Agent and Registrar**

On the completion of this offering, the transfer agent and registrar for our common stock will be American Stock Transfer & Trust Company, LLC. The transfer agent’s address is 6201 15th Avenue, Brooklyn, New York 11219 and the telephone number is (800) 937-5449.

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock. Future sales of substantial amounts of our common stock, including shares issued on the exercise of outstanding options, in the public market after this offering, or the possibility of these sales or issuances occurring, could adversely affect the prevailing market price for our common stock or impair our ability to raise equity capital.

Based on our shares outstanding as of March 29, 2020, on the completion of this offering, a total of 39,175,767 shares of common stock will be outstanding, assuming the automatic conversion of all of our outstanding shares of convertible preferred stock into an aggregate of 8,192,876 shares of common stock. Of these shares, all of the common stock sold in this offering by us and the selling stockholders will be freely tradable in the public market without restriction or further registration under the Securities Act, unless these shares are held by “affiliates,” as that term is defined in Rule 144 under the Securities Act, or Rule 144, or unless these shares are sold to our directors or executive officers pursuant to our directed share program.

The remaining shares of common stock will be, and 4,915,272 shares of common stock subject to stock options will be on issuance, “restricted securities,” as that term is defined in Rule 144. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, or Rule 701, which are summarized below. Restricted securities may also be sold outside of the United States to non-U.S. persons in accordance with Rule 904 of Regulation S under the Securities Act.

Subject to the lock-up agreements described below and the provisions of Rule 144, Rule 701 or Regulation S under the Securities Act, as well as our insider trading policy, these restricted securities will be available for sale in the public market after the date of this prospectus.

### Rule 144

In general, under Rule 144 as currently in effect, once we have been subject to public company reporting requirements of Section 13 or 15(d) of the Exchange Act for at least 90 days, an eligible stockholder is entitled to sell such shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. To be an eligible stockholder under Rule 144, such stockholder must not be deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and must have beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then such person is entitled to sell such shares without complying with any of the requirements of Rule 144, subject to the expiration of the lock-up agreements described below.

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares on behalf of our affiliates are entitled to sell shares on expiration of the lock-up agreements described below, subject, in the case of restricted securities, to such shares having been beneficially owned for at least six months. Beginning 90 days after the date of this prospectus, within any three-month period, such stockholders may sell a number of shares that does not exceed the greater of:

- 1% of the number of common stock then outstanding, which will equal approximately 392,000 shares immediately after this offering; or
- the average weekly trading volume of our common stock on Nasdaq during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

## **Rule 701**

Rule 701 generally allows a stockholder who was issued shares under a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days, to sell these shares in reliance on Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required by that rule to wait until 90 days after the date of this prospectus before selling those shares under Rule 701, subject to the expiration of the lock-up agreements described below.

## **Form S-8 Registration Statements**

We intend to file one or more registration statements on Form S-8 under the Securities Act with the SEC to register the offer and sale of shares of our common stock to be issued under our 2013 Plan, 2020 Plan and ESPP. These registration statements will become effective immediately on filing. Shares covered by these registration statements will then be eligible for sale in the public markets, subject to vesting restrictions, any applicable lock-up agreements described below, and Rule 144 limitations applicable to affiliates.

## **Lock-Up Arrangements**

We, the selling stockholders, all of our directors, executive officers and the holders of substantially all of our common stock and securities convertible into, exchangeable for or that represent the right to receive our common stock outstanding immediately on the completion of this offering, have agreed, or will agree, with the underwriters that, until 180 days after the date of this prospectus, we and they will not, without the prior written consent of Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC, offer, sell, contract to sell, pledge, grant any option to purchase, lend or otherwise dispose of any shares of common stock or such other securities. These agreements are described in the section titled “Underwriting.” Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC may, in their sole discretion, release any of the securities subject to these lock-up agreements in whole or in part at any time.

Following the expiration of the lock-up agreements (including the lock-up agreements in respect of shares that are sold to our directors or executive officers pursuant to our directed share program), and assuming that no parties are released from the lock-up agreements and that there is no extension of the lock-up period, all shares of our common stock that are restricted securities or held by our affiliates as of the date of this prospectus will be eligible for sale in the public market in compliance with Rule 144.

In addition to the restrictions contained in the lock-up agreements described above, we have entered into agreements with all of our security holders that contain market stand-off provisions imposing restrictions on the ability of such security holders to offer, sell or transfer our equity securities for a period of 180 days following the date of this prospectus.

## **Rule 10b5-1 Plans**

Certain of our employees, executive officers and directors may enter into written trading plans that are intended to comply with Rule 10b5-1 under the Exchange Act. Sales under these trading plans would not be permitted until the expiration of the lock-up agreements described above.

## **Registration Rights**

Upon the completion of this offering, the holders of up to 31,041,957 shares of our common stock (assuming no exercise of the underwriters’ option to purchase additional shares from the selling stockholders), as well as holders of 946,925 shares of our common stock issuable upon the exercise of outstanding vested and unvested stock options, as of March 29, 2020, will be entitled to certain rights with respect to the registration of the offer and sale of their shares under the Securities Act. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act immediately on the effectiveness of the registration. See the section titled “Description of Capital Stock—Registration Rights” for additional information.

## MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following discussion is a summary of the material U.S. federal income tax consequences to Non-U.S. Holders (as defined below) of the purchase, ownership and disposition of our common stock issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the IRS, in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a Non-U.S. Holder. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of our common stock.

This discussion is limited to Non-U.S. Holders that hold our common stock as a “capital asset” within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a Non-U.S. Holder’s particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to Non-U.S. Holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons subject to the alternative minimum tax;
- persons holding our common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- brokers, dealers or traders in securities;
- “controlled foreign corporations,” “passive foreign investment companies” and corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- persons for whom our common stock constitutes “qualified small business stock” within the meaning of Section 1202 of the Code;
- tax-qualified retirement plans;
- “qualified foreign pension funds” as defined in Section 897(1)(2) of the Code and entities all of the interests of which are held by qualified foreign pension funds; and
- persons subject to special tax accounting rules as a result of any item of gross income with respect to our common stock being taken into account in an applicable financial statement.

If an entity treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership

and certain determinations made at the partner level. Accordingly, partnerships holding our common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

**THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.**

#### ***Definition of Non-U.S. Holder***

For purposes of this discussion, a “Non-U.S. Holder” is any beneficial owner of our common stock that is neither a “U.S. person” nor an entity treated as a partnership for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and all substantial decisions of which are subject to the control of one or more “United States persons” (within the meaning of Section 7701(a)(30) of the Code) or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

#### ***Distributions***

As described in the section titled “Dividend Policy,” we do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future. However, if we do make distributions of cash or property on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and first be applied against and reduce a Non-U.S. Holder’s adjusted tax basis in its common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below under “—Sale or Other Taxable Disposition.”

Subject to the discussion below on effectively connected income, dividends paid to a Non-U.S. Holder will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided the Non-U.S. Holder furnishes a valid IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) certifying qualification for the lower treaty rate). A Non-U.S. Holder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable tax treaty.

If dividends paid to a Non-U.S. Holder are effectively connected with the Non-U.S. Holder’s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such dividends are attributable), the Non-U.S. Holder will be exempt from the U.S. federal withholding tax described above. To claim the exemption,



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the Non-U.S. Holder must furnish to the applicable withholding agent a valid IRS Form W-8ECI, certifying that the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States.

Any such effectively connected dividends generally will be subject to U.S. federal income tax on a net income basis at the regular rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected dividends, as adjusted for certain items. Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

### ***Sale or Other Taxable Disposition***

A Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our common stock unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such gain is attributable);
- the Non-U.S. Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- our common stock constitutes a U.S. real property interest, or USRPI, by reason of our status as a U.S. real property holding corporation, or USRPHC, for U.S. federal income tax purposes.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by certain U.S. source capital losses of the Non-U.S. Holder (even though the individual is not considered a resident of the United States), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we currently are not, and do not anticipate becoming, a USRPHC. Because the determination of whether we are a USRPHC depends, however, on the fair market value of our USRPIs relative to the fair market value of our non-U.S. real property interests and our other business assets, there can be no assurance we currently are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, a Non-U.S. Holder's shares of our common stock would not be considered USRPIs if our common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market, and such Non-U.S. Holder owned, actually and constructively, 5% or less of our common stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-U.S. Holder's holding period. No assurance can be provided that our common stock will be regularly traded on an established securities market for purposes of the rules described above at all times in the future.

Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

### ***Information Reporting and Backup Withholding***

Payments of dividends on our common stock will not be subject to backup withholding, provided the applicable withholding agent does not have actual knowledge or reason to know the holder is a U.S. person and

the holder either certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E, W-8ECI or other applicable documentation, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any dividends on our common stock paid to the Non-U.S. Holder, regardless of whether any tax was actually withheld. In addition, proceeds of the sale or other taxable disposition of our common stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting if the applicable withholding agent receives the certification described above and does not have actual knowledge or reason to know that such holder is a United States person, or the Non-U.S. Holder otherwise establishes an exemption. Proceeds of a disposition of our common stock conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

#### ***Additional Withholding Tax on Payments Made to Foreign Accounts***

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act, or FATCA) on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or (subject to the proposed Treasury Regulations discussed below) gross proceeds from the sale or other disposition of, our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends on our common stock. While withholding under FATCA would have applied also to payments of gross proceeds from the sale or other disposition of stock on or after January 1, 2019, proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our common stock.

## UNDERWRITING

We, the selling stockholders and the underwriters named below have entered into an underwriting agreement with respect to the shares of common stock being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC are the representatives of the underwriters.

<u>Underwriters</u>	<u>Number of Shares</u>
Goldman Sachs & Co. LLC	
Morgan Stanley & Co. LLC	
Credit Suisse Securities (USA) LLC	
Jefferies LLC	
BMO Capital Markets Corp.	
Stifel, Nicolaus & Company, Incorporated	
<b>Total</b>	<b><u>7,812,500</u></b>

The underwriters will be committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

The underwriters have an option to buy up to an additional 1,171,875 shares from the selling stockholders to cover sales by the underwriters of a greater number of shares than the total number set forth in the table above. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following tables show the per share and total underwriting discounts and commissions to be paid to the underwriters by us and the selling stockholders. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase 1,171,875 additional shares.

### Paid by the Company

	<u>No Exercise</u>	<u>Full Exercise</u>
<b>Per Share</b>		
<b>Total</b>		

### Paid by the Selling Stockholders

	<u>No Exercise</u>	<u>Full Exercise</u>
<b>Per Share</b>		
<b>Total</b>		

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover page of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$ \_\_\_\_\_ per share from the initial public offering price. After the initial offering of the shares, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We have agreed with the underwriters that during the period of 180 days after the date of this prospectus, or the lock-up period, without the prior written consent of Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC, we will not (a) offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise transfer or dispose of, or file with or confidentially submit to the SEC any registration statement under the Securities Act relating to, any common stock or other securities convertible into, exchangeable for or that represent the right to receive common stock, or publicly disclose the intention to do any of the foregoing, or

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(b) enter into any swap or other agreement that transfers any of the economic consequences of ownership of any common stock or such other securities (whether such transaction described in clause (a) or (b) is to be settled by delivery of common stock or such other securities, in cash or otherwise). These restrictions do not apply to: (i) the common stock to be sold to the underwriters in this offering; (ii) the issuance of common stock upon the exercise, vesting or settlement of an option, warrant or restricted stock unit, or the exercise, conversion or exchange of an outstanding security, provided that such award is disclosed in this prospectus; (iii) the grant of options to purchase or the issuance of common stock or such other securities in the ordinary course of business pursuant to an equity incentive plan described in this prospectus; (iv) the filing of a registration statement on Form S-8 relating to certain equity incentive plans; and (v) our entry into agreements providing for the issuance of common stock or such other securities in connection with certain acquisitions, assumed employee benefit plans, joint ventures, commercial relationships or other strategic transactions, and the issuance of securities pursuant to such agreements, *provided* that the aggregate number of shares that may be sold or issued pursuant to this clause (v) shall not exceed 5% of the total number of shares of common stock issued and outstanding immediately following the completion of this offering, and that we shall cause the recipient of any securities sold or issued pursuant to this clause (v) to agree in writing to be bound by the restrictions set forth in the lock-up agreements described below.

Our directors and executive officers, the selling stockholders and the holders of substantially all of our common stock, and securities convertible into, exchangeable for or that represent the right to receive common stock, have entered into lock-up agreements with the underwriters under which they have agreed that during the lock-up period, without the prior written consent of Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC, they will not (a) offer, sell, contract to sell, pledge, grant any option to purchase, lend or otherwise dispose of any common stock or such other securities, (b) engage in any hedging or other transaction or arrangement which is designed to or which reasonably could be expected to lead to or result in a sale, loan, pledge, or other disposition or transfer of any of the economic consequences of ownership of any common stock or such other securities (whether such transaction or arrangement is to be settled by delivery of common stock or such other securities, in cash or otherwise), or (c) publicly announce any intention to do any of the foregoing. In addition, such persons and entities have agreed to waive any and all notice requirements and rights with respect to the registration of any of our securities pursuant to any agreement, understanding or otherwise.

The restrictions described in the immediately preceding paragraph do not apply to:

- i. the common stock to be sold to the underwriters in this offering;
- ii. transfers (A) as a bona fide gift or gifts, (B) by will or intestacy, (C) to an immediate family member, (D) to a trust for the benefit of the holder or the immediate family thereof, or if the holder is a trust, to a trustor, trustee (or co-trustee) or beneficiary of such trust or to the estate of the beneficiary of such trust, or (E) if the holder is a corporation, partnership, limited liability company, trust or other business entity, (1) to another business entity that is an affiliate of such holder, or to any investment fund or other entity controlling, controlled by, managing or managed by or under common control with such holder or an affiliate thereof, or (2) as part of a distribution, transfer or disposition by such holder to its stockholders, partners, members, beneficiaries or other equity holders; *provided* in each case that (x) such transfer shall not involve a disposition for value, (y) the donee, transferee, devisee or distributee shall agree in writing to be bound by the restrictions set forth in the lock-up agreement and (z) no Exchange Act or other public filing or announcement reporting a reduction in beneficial ownership of common stock shall be required or made during the lock-up period;
- iii. transfers of securities acquired in open market transactions after the completion of this offering and, if the holder is not one of our directors or officers, of securities the holder may purchase in this offering, *provided* that no Exchange Act or other public filing or announcement reporting a reduction in beneficial ownership of common stock shall be required or made during the lock-up period;
- iv. transfers to us in connection with the exercise, vesting or settlement of options, warrants or other rights to acquire any common stock or such other securities in accordance with their terms pursuant to an

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equity incentive plan, option, warrant or other right described in this prospectus, *provided* that (x) any securities received upon such exercise, vesting or settlement shall be subject to the restrictions set forth in the lock-up agreement and (y) no Exchange Act or other public filing or announcement reporting a reduction in beneficial ownership of common stock shall be voluntarily made during the lock-up period and, if the holder is required to file a report under Section 16 of the Exchange Act during the lock-up period reporting a reduction in beneficial ownership of common stock, such filing shall clearly indicate in the footnotes thereto the nature and conditions of such transfer;

- v. transfers to us (A) pursuant to an agreement described in this prospectus under which we have the option to repurchase such holder's securities upon the termination of service of such holder or (B) pursuant to the right of first refusal with respect to transfers of such holder's securities contained in our bylaws and stockholders' agreement, each as in effect on the date of this prospectus and described in this prospectus, *provided* that (x) in the case of clause (B), the transfer triggering such right of first refusal is otherwise permitted under the lock-up agreement, and (y) in each case that no Exchange Act or other public filing or announcement reporting a reduction in beneficial ownership of common stock shall be voluntarily made during the lock-up period and, if the holder is required to file a report under Section 16 of the Exchange Act during the lock-up period reporting a reduction in beneficial ownership of common stock, such filing shall clearly indicate in the footnotes thereto the nature and conditions of such transfer;
- vi. transfers by operation of law pursuant to a qualified domestic order or in connection with a divorce settlement or related court order, *provided* that (x) the transferee shall agree in writing to be bound by the restrictions set forth in the lock-up agreement and (y) no Exchange Act or other public filing or announcement reporting a reduction in beneficial ownership of common stock shall be voluntarily made during the lock-up period and, if the holder is required to file a report under Section 16 of the Exchange Act during the lock-up period reporting a reduction in beneficial ownership of common stock, such filing shall clearly indicate in the footnotes thereto the nature and conditions of such transfer;
- vii. transfers in connection with the conversion of our outstanding preferred stock into common stock, *provided* that (x) any common stock received upon such conversion shall be subject to the restrictions set forth in the lock-up agreement and (y) no Exchange Act or other public filing or announcement reporting a reduction in beneficial ownership of common stock shall be voluntarily made during the lock-up period and, if the holder is required to file a report under Section 16 of the Exchange Act during the lock-up period reporting a reduction in beneficial ownership of common stock, such filing shall clearly indicate in the footnotes thereto the nature and conditions of such transfer; and
- viii. transfers pursuant to a bona fide third-party tender offer, merger, consolidation or other similar transaction or series of related transactions approved by our board of directors, the result of which is that any person or group of persons, other than us or our subsidiaries, becomes the beneficial owner of 50% or more of the total voting power of our voting capital stock (or of the surviving entity), *provided* that if such transaction is not completed, such securities shall remain subject to the restrictions set forth in the lock-up agreement.

The lock-up agreements described above also provide for the establishment of written trading plans meeting the requirements of Rule 10b5-1 under the Exchange Act relating to the transfer of common stock, *provided* that (x) the securities subject to such plans may not be transferred during the lock-up period, (y) if a public announcement or Exchange Act filing is required during the lock-up period, it shall include a statement to the effect that no transfer of the securities subject to such plan may be made under such plan during the lock-up period and (z) no Exchange Act or other public filing or announcement shall be voluntarily made during the lock-up period.

Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC may, in their sole discretion, release any of the securities subject to the lock-up agreements described above in whole or in part at any time.

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Prior to the offering, there has been no public market for the shares. The initial public offering price has been negotiated among the representatives and us. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

We have applied to have our common stock approved for listing on The Nasdaq Stock Market under the symbol “VITL.”

In connection with the offering, the underwriters may purchase and sell shares of our common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in this offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A “covered short position” is a short position that is not greater than the amount of additional shares for which the underwriters’ option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to cover the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option described above. “Naked” short sales are any short sales that create a short position greater than the amount of additional shares for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in this offering. Stabilizing transactions consist of various bids for or purchases of our common stock made by the underwriters in the open market prior to the completion of this offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our common stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of our common stock. As a result, the price of our common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on The Nasdaq Stock Market, in the over-the-counter market or otherwise.

We estimate that our share of the total expenses of this offering, excluding underwriting discounts and commissions, will be approximately \$3,651,000. We have agreed to reimburse the underwriters for expenses related to any applicable state securities filings and to the Financial Industry Regulatory Authority, Inc. incurred by them in connection with this offering in an aggregate amount of up to \$30,000 and expenses incurred in connection with the directed share program. The underwriters have agreed to reimburse us for certain of our expenses in connection with the offering.

We and the selling stockholders have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided,

and may in the future provide, a variety of these services to us and to persons and entities with relationships with us, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

At our request, the underwriters have reserved for sale, at the initial public offering price per share, up to 5% of the shares of common stock offered by this prospectus to certain individuals, including our directors, employees and certain friends and family of Vital Farms identified by our directors and management, through a directed share program. Any shares purchased in the directed share program will not be subject to a lock-up restriction, except in the case of shares purchased by any director or executive officer. The number of shares of common stock available for sale to the general public will be reduced by the number of reserved shares sold to these individuals. Any reserved shares not purchased by these individuals will be offered by the underwriters to the general public on the same basis as the other shares of common stock offered under this prospectus. We have agreed to indemnify the underwriters against certain liabilities and expenses, including liabilities under the Securities Act, in connection with sales of the reserved shares. The directed share program will be arranged through Morgan Stanley & Co. LLC.

### **Selling Restrictions**

#### **Notice to Prospective Investors in the European Economic Area**

In relation to each Member State of the European Economic Area, (each, a “Member State”), no offer of the shares may be made to the public in that Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the representatives; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of the shares shall require us or any of our representatives to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, and each person who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with each of the representatives and us that it is a qualified investor as defined in the Prospectus Regulation.

In the case of any shares being offered to a financial intermediary as that term is used in Article 5 of the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in this offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Member State to qualified investors as defined in the Prospectus Regulation or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

For the purposes of this provision, the expression “offer of shares to the public” in relation to any shares in any Member State means the communication in any form and by means of sufficient information on the terms of this offering and the shares to be offered so as to enable an investor to decide to purchase the shares, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129 (as amended).

#### **Notice to Prospective Investors in the United Kingdom**

In the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Regulation) who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”), and/or (ii) are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together, “relevant persons”) or otherwise in circumstances which have not resulted and will not result in an offer to the public of the shares in the United Kingdom within the meaning of the Financial Services and Markets Act 2000.

Any person in the United Kingdom that is not a relevant person should not act or rely on the information included in this document or use it as basis for taking any action. In the United Kingdom, any investment or investment activity to which this document relates may be made or taken exclusively by relevant persons.

#### **Notice to Prospective Investors in Canada**

The shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors (as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario)), and are permitted clients (as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations). Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

#### **Notice to Prospective Investors in Switzerland**

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or this offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to this offering, Vital Farms, Inc. or the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this



document will not be filed with, and the offer of the shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and this offer of the shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the shares.

#### **Notice to Prospective Investors in the Dubai International Financial Centre**

This document relates to an Exempt Offer in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority, or the DFSA. This document is intended for distribution only to persons of a type specified in the Markets Rules 2012 of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this document nor taken steps to verify the information set forth herein and has no responsibility for this document. The securities to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered to which this document relates should conduct their own due diligence on such securities. If you do not understand the contents of this document, you should consult an authorized financial advisor.

In relation to its use in the Dubai International Financial Center, or the DIFC, this document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the securities may not be offered or sold directly or indirectly to the public in the DIFC.

#### **Notice to Prospective Investors in the United Arab Emirates**

The shares have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates (including the DIFC) other than in compliance with the laws of the United Arab Emirates (and the DIFC) governing the issue, offering and sale of securities. Further, this prospectus does not constitute a public offer of securities in the United Arab Emirates (including the DIFC) and is not intended to be a public offer. This prospectus has not been approved by or filed with the Central Bank of the United Arab Emirates, the Securities and Commodities Authority or the DFSA.

#### **Notice to Prospective Investors in Australia**

This document:

- does not constitute a product disclosure document or a prospectus under Chapter 6D.2 of the Corporations Act 2001 (Cth), or the Corporations Act;
- has not been, and will not be, lodged with the Australian Securities and Investments Commission, or the ASIC, as a disclosure document for the purposes of the Corporations Act and does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act;
- does not constitute or involve a recommendation to acquire, an offer or invitation for issue or sale, an offer or invitation to arrange the issue or sale, or an issue or sale of interests to a “retail client” (as defined in section 761G of the Corporations Act and applicable regulations) in Australia; and
- may only be provided in Australia to select investors who are able to demonstrate that they fall within one or more of the categories of investors available under section 708 of the Corporations Act, such investors, Exempt Investors.

The shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any shares may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the shares, you represent and warrant to us that you are an Exempt Investor.

As any offer of shares under this document will be made without disclosure in Australia under Chapter 6D.2 of the Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Corporations Act, require disclosure to investors under Chapter 6D.2 of the Corporations Act if none of the exemptions in section 708 of the Corporations Act applies to that resale. By applying for the shares you undertake to us that you will not, for a period of 12 months from the date of issue of the shares, offer, transfer, assign or otherwise alienate those securities to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D.2 of the Corporations Act or where a compliant disclosure document is prepared and lodged with the ASIC.

#### **Notice to Prospective Investors in Japan**

The shares have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, neither the shares nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any “resident” of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

#### **Notice to Prospective Investors in Hong Kong**

The shares have not been will not be offered or sold in Hong Kong by means of any document other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance of Hong Kong and any rules made under that Ordinance.

#### **Notice to Prospective Investors in Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of shares may not be circulated or distributed, nor may shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) the sole purpose of which is to hold investments and each beneficiary of which is an individual who is an accredited investor, securities (as defined in

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Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

### **Notice to Prospective Investors in Bermuda**

Shares may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act of 2003 of Bermuda, which regulates the sale of securities in Bermuda. Additionally, non-Bermudian persons (including companies) may not carry on or engage in any trade or business in Bermuda unless such persons are permitted to do so under applicable Bermuda legislation.

### **Notice to Prospective Investors in Saudi Arabia**

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations as issued by the board of the Saudi Arabian Capital Market Authority (the "CMA") pursuant to resolution number 2-11-2004 dated 4 October 2004, as amended by resolution number 1-28-2008, as amended (the "CMA Regulations"). The CMA does not make any representation as to the accuracy or completeness of this document and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorized financial adviser.

### **Notice to Prospective Investors in the British Virgin Islands**

Shares are not being and may not be offered to the public or to any person in the British Virgin Islands for purchase or subscription by us or on our behalf. Shares may be offered to companies incorporated under the BVI Business Companies Act, 2004 (British Virgin Islands) (such companies, "BVI Companies"), but only where the offer will be made to, and received by, the relevant BVI Company entirely outside of the British Virgin Islands.

This prospectus has not been and will not be registered with the Financial Services Commission of the British Virgin Islands. No registered prospectus has been or will be prepared in respect of the shares for the purposes of the Securities and Investment Business Act, 2010 or the Public Issuers Code of the British Virgin Islands.

### **Notice to Prospective Investors in China**

This prospectus does not constitute a public offer of shares, whether by sale or subscription, in the People's Republic of China (the "PRC"). The shares are not being offered or sold directly or indirectly in the PRC to or for the benefit of, legal or natural persons of the PRC.

Further, no legal or natural persons of the PRC may directly or indirectly purchase any of the shares or any beneficial interest therein without obtaining all prior PRC governmental approvals that are required, whether statutorily or otherwise. Persons who come into possession of this prospectus are required by us and our representatives to observe these restrictions.

### **Notice to Prospective Investors in Korea**

The shares have not been and will not be registered under the Financial Investments Services and Capital Markets Act of Korea and the decrees and regulations thereunder (the “FSCMA”), and have been and will be offered in Korea as a private placement under the FSCMA. None of the shares may be offered, sold or delivered, directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder (the “FETL”). Furthermore, the purchaser of the shares shall comply with all applicable regulatory requirements (including, but not limited to, requirements under the FETL) in connection with the purchase. By the purchase of the shares, the relevant holder thereof will be deemed to represent and warrant that if it is in Korea or is a resident of Korea, it purchased the shares pursuant to the applicable laws and regulations of Korea.

### **Notice to Prospective Investors in Malaysia**

No prospectus or other offering material or document in connection with the offer and sale of the shares has been or will be registered with the Securities Commission of Malaysia (the “Commission”) for the Commission’s approval pursuant to the Capital Markets and Services Act 2007. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Malaysia other than: (i) a closed end fund approved by the Commission; (ii) a holder of a Capital Markets Services License; (iii) a person who acquires the shares, as principal, if the offer is on terms that the shares may only be acquired at a consideration of not less than RM250,000 (or its equivalent in foreign currencies) for each transaction; (iv) an individual whose total net personal assets or total net joint assets with his or her spouse exceeds RM3,000,000 (or its equivalent in foreign currencies), excluding the value of the primary residence of the individual; (v) an individual who has a gross annual income exceeding RM300,000 (or its equivalent in foreign currencies) per annum in the preceding 12 months; (vi) an individual who, jointly with his or her spouse, has a gross annual income of RM400,000 (or its equivalent in foreign currencies) per annum in the preceding 12 months; (vii) a corporation with total net assets exceeding RM10,000,000 (or its equivalent in a foreign currencies) based on the last audited accounts; (viii) a partnership with total net assets exceeding RM10,000,000 (or its equivalent in foreign currencies); (ix) a bank licensee or insurance licensee as defined in the Labuan Financial Services and Securities Act 2010; (x) an Islamic bank licensee or takaful licensee as defined in the Labuan Financial Services and Securities Act 2010; and (xi) any other person as may be specified by the Commission; provided that, in the each of the preceding categories (i) to (xi), the distribution of the shares is made by a holder of a Capital Markets Services License who carries on the business of dealing in securities. The distribution in Malaysia of this prospectus is subject to Malaysian laws. This prospectus does not constitute and may not be used for the purpose of a public offering or an issue, offer for subscription, or purchase, invitation to subscribe for or purchase any securities requiring the registration of a prospectus with the Commission under the Capital Markets and Services Act 2007.

### **Notice to Prospective Investors in Taiwan**

The shares have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the shares in Taiwan.

### **Notice to Prospective Investors in South Africa**

Due to restrictions under the securities laws of South Africa, the shares are not offered, and the offer shall not be transferred, sold, renounced or delivered, in South Africa or to a person with an address in South Africa, unless one or other of the following exemptions applies:

- the offer, transfer, sale, renunciation or delivery is to:
  - (a) persons whose ordinary business is to deal in securities, as principal or agent;
  - (b) the South African Public Investment Corporation;
  - (c) persons or entities regulated by the Reserve Bank of South Africa;
  - (d) authorized financial service providers under South African law;
  - (e) financial institutions recognized as such under South African law;
  - (f) a wholly owned subsidiary of any person or entity contemplated in (c), (d) or (e), acting as agent in the capacity of an authorized portfolio manager for a pension fund or collective investment scheme (in each case, duly registered as such under South African law); or
  - (g) any combination of the persons in (a) to (f); or
- the total contemplated acquisition cost of the securities for any single addressee acting as principal is equal to or greater than ZAR1,000,000.

No “offer to the public” (as defined in the South African Companies Act, No. 71 of 2008 (as amended or re-enacted) (the “South African Companies Act”)) in South Africa is being made in connection with the issue of the shares. Accordingly, this document does not, nor is it intended to, constitute a “registered prospectus” (as defined in the South African Companies Act) prepared and registered under the South African Companies Act and has not been approved by and/or filed with the South African Companies and Intellectual Property Commission or any other regulatory authority in South Africa. Any issue or offering of the shares in South Africa constitutes an offer of the shares in South Africa for subscription or sale in South Africa only to persons who fall within the exemption from “offers to the public” set out in section 96(1)(a) of the South African Companies Act. Accordingly, this document must not be acted on or relied on by persons in South Africa who do not fall within section 96(1)(a) of the South African Companies Act (such persons, “SA Relevant Persons”). Any investment or investment activity to which this document relates is available in South Africa only to SA Relevant Persons and will be engaged in South Africa only with SA relevant persons.

## LEGAL MATTERS

The validity of the shares of common stock being offered by this prospectus will be passed upon for us by Cooley LLP, New York, New York. Certain legal matters in connection with this offering will be passed upon for the underwriters by Latham & Watkins LLP, New York, New York.

## EXPERTS

The consolidated financial statements of Vital Farms, Inc. and subsidiaries as of December 29, 2019 and December 30, 2018 and for each of the years in the three-year period ended December 29, 2019, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

## CHANGES IN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

In 2019, we decided to engage new auditors as our independent accountants to audit our financial statements. Our board of directors approved the change of accountants to KPMG LLP. Accordingly, we dismissed RSM US LLP on August 19, 2019.

The independent auditor's report on our consolidated financial statements prepared by RSM US LLP under auditing standards generally accepted in the United States of America for the 2018 and 2017 fiscal years did not contain an adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope, or accounting principles. There were (i) no disagreements with RSM US LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of RSM US LLP, would have caused RSM US LLP to make reference to the subject matter of the disagreements in connection with its reports and (ii) no reportable events of the type listed in paragraphs (A) through (D) of Item 304(a)(1)(v) of Regulation S-K issued by the SEC, in connection with the audit of our financial statements for the 2018 and 2017 fiscal years and the subsequent period through the replacement of RSM US LLP with KPMG LLP.

Neither we nor anyone acting on our behalf consulted with KPMG LLP at any time prior to their retention by us as our independent registered public accounting firm regarding any of the matters described in Item 304(a)(2)(i) or Item 304(a)(2)(ii) of Regulation S-K.

We have provided RSM US LLP with a copy of the disclosures set forth under the heading "Changes in Independent Registered Public Accounting Firm" included in this prospectus and have requested that RSM US LLP furnish a letter addressed to the SEC stating whether or not RSM US LLP agrees with statements related to them made by us under the heading "Changes in Independent Registered Public Accounting Firm" in this prospectus. A copy of that letter is filed as Exhibit 16.1 to the registration statement of which this prospectus forms a part.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all the information set forth in the registration statement, some of which is contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement,

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including the exhibits filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The SEC maintains an internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is [www.sec.gov](http://www.sec.gov).

On the completion of this offering, we will be subject to the information reporting requirements of the Exchange Act, and we will file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information will be available at [www.sec.gov](http://www.sec.gov).

We also maintain a website at [www.vitalfarms.com](http://www.vitalfarms.com). Information contained in, or accessible through, our website is not a part of this prospectus, and the inclusion of our website address in this prospectus is only as an inactive textual reference.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders and Board of Directors  
Vital Farms, Inc.:

*Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Vital Farms, Inc. and subsidiaries (the Company) as of December 29, 2019 and December 30, 2018, the related consolidated statements of operations, redeemable convertible preferred stock and stockholders' equity, and cash flows for each of the years in the three-year period ended December 29, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 29, 2019 and December 30, 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 29, 2019, in conformity with U.S. generally accepted accounting principles.

*Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2019.

**Austin, Texas**

**March 26, 2020, except for Note 21, as to which the date is July 22, 2020**

**VITAL FARMS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands, except share and per share amounts)

	December 30, 2018	December 29, 2019	Pro Forma December 29, 2019 (unaudited)
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 11,815	\$ 1,274	\$ 1,274
Accounts receivable, net	10,236	16,108	16,108
Inventories	3,866	12,947	12,947
Income taxes receivable	51	1,615	1,615
Prepaid expenses and other current assets	1,123	2,706	2,706
Total current assets	27,091	34,650	34,650
Property, plant and equipment, net	18,660	22,458	22,458
Notes receivable from related party	—	831	831
Goodwill	3,858	3,858	3,858
Deposits and other assets	246	151	151
Total assets	<u>\$ 49,855</u>	<u>\$ 61,948</u>	<u>\$ 61,948</u>
<b>Liabilities, Redeemable Noncontrolling Interest, Redeemable Convertible Preferred Stock and Stockholders' Equity</b>			
Current liabilities:			
Accounts payable	\$ 9,357	\$ 13,510	\$ 13,510
Accrued liabilities	5,845	8,608	8,608
Long-term debt, current	671	2,160	2,160
Lease obligation, current	539	449	449
Contingent consideration, current	390	270	270
Total current liabilities	16,802	24,997	24,997
Long-term debt, net of current portion	3,136	2,896	2,896
Lease obligations, net of current portion	1,135	797	797
Contingent consideration, non-current	601	382	382
Deferred tax liabilities, net	703	755	755
Other liability, non-current	—	272	272
Total liabilities	22,377	30,099	30,099
Commitments and contingencies (Note 18)			
Redeemable noncontrolling interest	175	175	175
Redeemable convertible preferred stock (Series B, Series C and Series D), \$0.0001 par value; 8,192,876 shares authorized, issued, and outstanding as of December 30, 2018 and December 29, 2019, respectively; no shares issued or outstanding as of December 29, 2019 (unaudited) pro forma; aggregate liquidation preference of \$40,436 as of December 30, 2018 and December 29, 2019, respectively;	23,036	23,036	—
Stockholders' equity:			
Common stock, \$0.0001 par value per share, 37,533,553 and 40,348,565 shares authorized, as of December 30, 2018 and December 29, 2019, respectively; 28,461,978 and 31,429,898 shares issued, as of December 30, 2018 and December 29, 2019, respectively; and 25,819,830 and 25,934,980 shares outstanding as of December 30, 2018 and December 29, 2019, respectively; 39,622,774 shares issued and 34,127,856 shares outstanding as of December 29, 2019 (unaudited) pro forma	3	3	3
Treasury stock, at cost, 2,642,148 and 5,494,918 common shares as of December 30, 2018 and December 29, 2019, respectively	(1,987)	(16,276)	(16,276)
Additional paid-in capital	4,245	19,593	42,629
Retained earnings	2,854	5,239	5,239
Total stockholders' equity attributable to Vital Farms, Inc. common stockholders	5,115	8,559	31,595
Noncontrolling interests	(848)	79	79
Total stockholders' equity	<u>\$ 4,267</u>	<u>\$ 8,638</u>	<u>\$ 31,674</u>
Total liabilities, redeemable noncontrolling interest, redeemable convertible preferred stock and stockholders' equity	<u>\$ 49,855</u>	<u>\$ 61,948</u>	<u>\$ 61,948</u>

*See accompanying notes to the consolidated financial statements.*

**VITAL FARMS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Amounts in thousands, except share and per share amounts)

	December 31, 2017	Year Ended December 30, 2018	December 29, 2019
Net revenue	\$ 74,000	\$ 106,713	\$ 140,733
Cost of goods sold	55,612	71,894	97,856
Gross profit	18,388	34,819	42,877
Operating expenses:			
Selling, general and administrative	14,261	19,437	29,526
Shipping and distribution	5,724	8,615	10,001
Total operating expenses	19,985	28,052	39,527
(Loss) income from operations	(1,597)	6,767	3,350
Other (expense) income, net:			
Interest expense	(524)	(424)	(349)
Other income	9	9	1,417
Total other (expense) income, net	(515)	(415)	1,068
Net (loss) income before income taxes	(2,112)	6,352	4,418
Provision for income taxes	33	723	1,106
Net (loss) income	(2,145)	5,629	3,312
Less: Net (loss) income attributable to noncontrolling interests	(225)	(168)	927
Net (loss) income attributable to Vital Farms, Inc. common stockholders	\$ (1,920)	\$ 5,797	\$ 2,385
Net (loss) income per share attributable to Vital Farms, Inc. common stockholders:			
Basic	\$ (0.07)	\$ 0.22	\$ 0.09
Diluted	\$ (0.07)	\$ 0.16	\$ 0.07
Weighted average common shares outstanding:			
Basic	25,795,865	25,809,665	25,897,223
Diluted	25,795,865	35,258,594	36,071,015
Pro forma net income per share attributable to Vital Farms, Inc. common stockholders (unaudited):			
Basic			\$ 0.07
Diluted			\$ 0.07
Pro forma weighted average common shares outstanding (unaudited):			
Basic			34,090,099
Diluted			36,071,015

*See accompanying notes to the consolidated financial statements.*

**VITAL FARMS, INC.**  
**CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY**  
**(Amounts in thousands)**

	Redeemable Convertible Preferred Stock			Redeemable Noncontrolling Interest	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Total Stockholders' Equity Attributable to Vital Farms, Inc. Common Stockholders	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount			Shares	Amount	Shares	Amount					
<b>Balances at December 31, 2016</b>	5,192,484	\$ 12,016	\$	—	28,424,832	\$ 3	(2,642,148)	\$ (1,987)	\$ 3,079	\$ (1,023)	72	(455)	(383)
Issuance of Series D redeemable convertible preferred stock, net of issuance costs \$85	3,000,392	11,020		—	—	—	—	—	—	—	—	—	—
Issuance of redeemable noncontrolling interest	—	—		150	—	—	—	—	—	—	—	—	—
Exercise of stock options	—	—		—	24,600	—	—	—	31	—	31	—	31
Stock-based compensation expense	—	—		—	—	—	—	—	495	—	495	—	495
Net loss attributable to noncontrolling interests - stockholders	—	—		—	—	—	—	—	—	—	—	(225)	(225)
Net loss attributable to Vital Farms, Inc.	—	—		—	—	—	—	—	—	(1,920)	(1,920)	—	(1,920)
<b>Balances at December 31, 2017</b>	8,192,876	\$ 23,036	\$	150	28,449,432	\$ 3	(2,642,148)	\$ (1,987)	\$ 3,605	\$ (2,943)	\$ (1,322)	\$ (680)	\$ (2,002)
Issuance of redeemable noncontrolling interest	—	—		25	—	—	—	—	—	—	—	—	—
Exercise of stock options	—	—		—	12,546	—	—	—	40	—	40	—	40
Stock-based compensation expense	—	—		—	—	—	—	—	600	—	600	—	600
Net loss attributable to noncontrolling interests - stockholders	—	—		—	—	—	—	—	—	—	—	(168)	(168)
Net income attributable to Vital Farms, Inc.	—	—		—	—	—	—	—	—	5,797	5,797	—	5,797
<b>Balances at December 30, 2018</b>	8,192,876	\$ 23,036	\$	175	28,461,978	\$ 3	(2,642,148)	\$ (1,987)	\$ 4,245	\$ 2,854	\$ 5,115	\$ (848)	\$ 4,267
Issuance of common stock, net of issuance costs \$903	—	—		—	2,815,012	—	—	—	14,097	—	14,097	—	14,097
Repurchase of common stock	—	—		—	—	—	(2,852,770)	(14,289)	—	—	(14,289)	—	(14,289)
Exercise of stock options	—	—		—	152,908	—	—	—	222	—	222	—	222
Stock-based compensation expense	—	—		—	—	—	—	—	1,029	—	1,029	—	1,029
Net income attributable to noncontrolling interests - stockholders	—	—		—	—	—	—	—	—	—	—	927	927
Net income attributable to Vital Farms, Inc.	—	—		—	—	—	—	—	—	2,385	2,385	—	2,385
<b>Balances at December 29, 2019</b>	8,192,876	\$ 23,036	\$	175	31,429,898	\$ 3	(5,494,918)	\$ (16,276)	\$ 19,593	\$ 5,239	\$ 8,559	\$ 79	\$ 8,638

See accompanying notes to the consolidated financial statements.

**VITAL FARMS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands)

	December 31, 2017	Year Ended December 30, 2018	December 29, 2019
<b>Cash flows (used in) provided by operating activities:</b>			
Net (loss) income	\$ (2,145)	\$ 5,629	\$ 3,312
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation and amortization	821	1,437	1,921
Amortization of debt issuance costs	40	71	9
Bad debt expense	23	—	304
Inventory provisions	503	200	189
Change in fair value of contingent consideration	118	92	70
Stock-based compensation	495	600	1,029
Deferred taxes	—	703	52
Changes in operating assets and liabilities:			
Accounts receivable	(719)	(3,578)	(6,182)
Inventories	(216)	(1,042)	(9,270)
Income taxes receivable	—	—	(1,563)
Prepaid expenses and other current assets	(412)	(520)	(582)
Deposits and other assets	(124)	(63)	93
Accounts payable	(315)	4,946	3,192
Accrued and other liabilities	(2,559)	2,949	2,074
Net cash (used in) provided by operating activities	<u>\$ (4,490)</u>	<u>\$ 11,424</u>	<u>\$ (5,352)</u>
<b>Cash flows used in investing activities:</b>			
Purchases of property, plant and equipment	(11,704)	(1,940)	(4,799)
Proceeds from the sale of property, plant and equipment	9	29	7
Notes receivable provided to related parties	—	—	(4,031)
Repayment of notes receivable	—	—	3,200
Net cash used in investing activities	<u>\$ (11,695)</u>	<u>\$ (1,911)</u>	<u>\$ (5,623)</u>
<b>Cash flows provided by (used in) financing activities:</b>			
Proceeds from the issuance of Series D redeemable preferred stock	11,105	—	—
Proceeds from issuance of redeemable noncontrolling interest	150	25	—
Proceeds from borrowings under revolving line of credit	8,700	—	1,325
Proceeds from borrowings under the equipment loan	—	—	587
Proceeds from issuance of common stock	—	—	15,000
Repayment of long-term debt	(4,890)	(671)	(671)
Repurchase of common stock	—	—	(14,289)
Payment of contingent consideration	(371)	(494)	(409)
Payment of debt issuance costs	(219)	—	—
Payment of issuance costs of redeemable convertible preferred stock	(85)	—	—
Payment of issuance costs of common stock	—	—	(903)
Principal payments under lease obligation	(132)	(409)	(428)
Proceeds from exercise of stock options	31	40	222
Net cash provided by (used in) financing activities	<u>\$ 14,289</u>	<u>\$ (1,509)</u>	<u>\$ 434</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>\$ (1,896)</u>	<u>\$ 8,004</u>	<u>\$ (10,541)</u>
Cash and cash equivalents at beginning of the year	5,707	3,811	11,815
Cash and cash equivalents at end of the year	<u>\$ 3,811</u>	<u>\$ 11,815</u>	<u>\$ 1,274</u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for interest	\$ 484	\$ 356	\$ 340
Cash paid for income taxes	\$ 33	\$ 20	\$ 2,256
<b>Supplemental disclosure of non-cash investing and financing activities:</b>			
Purchases of property, plant and equipment included in accounts payable and accrued liabilities	\$ —	\$ 199	\$ 928
Property, plant and equipment purchased with lease obligations	\$ 2,210	\$ —	\$ —
Deferred offering costs in accounts payable	\$ —	\$ —	\$ 1,001

*See accompanying notes to the consolidated financial statements.*

**VITAL FARMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in thousands, except share and per share amounts)**

**1. Nature of the Business and Basis of Presentation**

Vital Farms, Inc. (“Vital Farms”) was incorporated in Delaware on June 6, 2013 and is headquartered in Austin, Texas. Vital Farms packages, markets and distributes pasture-raised shell eggs, pasture-raised butter and other products. These products are sold under the trade names Vital Farms, Alfresco Farms, Lucky Ladies and RedHill Farms, primarily to retail foodservice channels in the United States.

Vital Farms Arkansas, LLC, Vital Farms Missouri, LLC, Backyard Eggs, LLC, Barn Door Farms, LLC and Sagebrush Foodservice, LLC are all wholly owned subsidiaries of Vital Farms (collectively referred to with Vital Farms as the “Company”). All significant intercompany transactions and balances have been eliminated in the Vital Farms consolidated financial statements.

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of Vital Farms, its subsidiaries and a variable interest entity (“VIE”) in which Vital Farms has an interest and is the primary beneficiary. See Note 3, “Variable Interest Entity.” The noncontrolling interest attributable to the Company’s VIE is presented as a separate component from stockholders’ equity in the consolidated balance sheets.

**Change in Fiscal Year:** In January 2018, the Company elected to change from a calendar year ending on December 31 to a 52-53-week fiscal year, ending on the last Sunday in December, effective beginning with the first quarter of 2018. In a 52-53-week fiscal year, each of the Company’s fiscal quarters consist of 13 weeks. The additional week in a 53-week fiscal year is added to the fourth quarter, making such quarter consist of 14 weeks. The Company’s first 53-week fiscal year will be fiscal 2023, which the Company expects to begin on December 26, 2022 and end on December 31, 2023.

**Liquidity and Going Concern:** In accordance with Accounting Standards Update (“ASU”) No. 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (Subtopic 205-40), the Company has evaluated whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

Through December 29, 2019, the Company has funded its operations primarily with cash flows from product sales, proceeds from the sale of its capital stock and proceeds from borrowings under its existing Credit Facility (as defined in Note 10, “Long-Term Debt”). The Company recognized net (loss) income of \$(2,145), \$5,629 and \$3,312 for the years ended December 31, 2017, December 30, 2018 and December 29, 2019, respectively. In addition, the Company had retained earnings of \$5,239 as of December 29, 2019. As of March 26, 2020, the issuance date of the consolidated financial statements, the Company expects that its cash and cash equivalents of \$1,274 as of December 29, 2019, together with cash provided by operating activities, will be sufficient to fund its operating expenses and capital expenditure requirements for at least 12 months from the issuance date of the consolidated financial statements.

**2. Summary of Significant Accounting Policies**

**Use of Estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates principally include revenue recognition, determination of useful lives for property and equipment, goodwill, contingent consideration, allowance for doubtful accounts,

**VITAL FARMS, INC.**  
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inventory obsolescence, valuation of common stock, stock option valuations, redeemable noncontrolling interest, accrual liabilities and income taxes. Actual results could differ from those estimates.

**Unaudited Pro Forma Information:** The unaudited pro forma balance sheet data as of December 29, 2019 assumes the automatic conversion of all outstanding shares of the Company's Series B, Series C and Series D convertible preferred stock (collectively, "Preferred Stock") into shares of the Company's common stock immediately upon the closing of the Company's planned initial public offering ("IPO"). The shares of the Company's common stock expected to be issued, and the related net proceeds expected to be received, in connection with the planned IPO are excluded from such pro forma information.

The unaudited pro forma basic and diluted net income per share for the year ended December 29, 2019 assumes the automatic conversion of all outstanding shares of Preferred Stock into shares of the Company's common stock immediately upon the closing of the Company's planned IPO, as though the conversion had occurred as of the beginning of the period. The shares of the Company's common stock expected to be issued, and the related net proceeds expected to be received, in connection with the planned IPO are excluded from such pro forma information.

**Concentrations of Credit Risk and Significant Customers:** Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains deposits with large financial institutions that the Company believes are of high credit quality. At times the Company's cash and cash equivalents balances with individual banking institutions are in excess of federally insured limits. The Company has not experienced any losses related to its cash and cash equivalents balances.

As of December 30, 2018 and December 29, 2019, the Company had customers that individually represented 10% or more of the Company's accounts receivable, net and customers that individually exceeded 10% or more of the Company's net revenue for the years ended December 31, 2017, December 30, 2018 and December 29, 2019. The percentage of net revenue from these significant customers during the years ended December 31, 2017, December 30, 2018 and December 29, 2019, and accounts receivable, net due from these significant customers as of December 30, 2018 and December 29, 2019, are as follows:

	<u>Net Revenue</u> <u>Year Ended</u> <u>December 31, 2017</u>	<u>Net Revenue</u> <u>Year Ended</u> <u>December 30, 2018</u>	<u>Net Revenue</u> <u>Year Ended</u> <u>December 29, 2019</u>	<u>Accounts Receivable, Net</u> <u>As Of</u> <u>December 30, 2018</u>	<u>Accounts Receivable, Net</u> <u>As Of</u> <u>December 29, 2019</u>
Customer A	36%	36%	35%	10%	25%
Customer B	15%	14%	14%	29%	21%
Customer C	*	10%	11%	*	*

\* Net revenue and/or accounts receivable was less than 10%.

The Company performs ongoing credit evaluations of its customers' financial condition but does not require collateral to support customer receivables.

**Cash and Cash Equivalents:** The Company considers all short-term, highly liquid investments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash deposits are all in financial institutions in the United States. As of December 29, 2019, cash and cash equivalents consisted of cash on deposit with balances denominated in U.S. dollars and investments in money market funds.

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**Deferred Offering Costs:** The Company capitalizes certain legal, accounting and other third-party fees that are directly related to the Company's in-process equity financings, including the planned IPO, until such financings are consummated. After consummation of an equity financing, these costs are recorded as a reduction of the proceeds received as a result of the financing. Should a planned equity financing be abandoned, terminated or significantly delayed, the deferred offering costs are immediately written off to operating expenses. There were no deferred offering costs capitalized as of December 30, 2018. As of December 29, 2019, the Company recorded deferred offering costs of \$1,001 in the accompanying consolidated balance sheets.

**Variable Interest Entity:** The Company consolidates all entities where a controlling financial interest exists. The Company has considered its relationships with a certain entity to determine whether the Company has a variable interest in that entity, and if so, whether the Company is the primary beneficiary of the relationship. GAAP requires VIEs to be consolidated if an entity's interest in the VIE is a controlling financial interest. Under the variable model, a controlling financial interest is determined based on which entity, if any, has (i) the power to direct the activities of the VIE that most significantly impacts the VIE's economic performance and (ii) the obligations to absorb losses that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Management performs ongoing reassessments of whether changes in the facts and circumstances regarding the Company's involvement with a VIE will cause the consolidation conclusion to change. The consolidation status of a VIE may change as a result of such reassessments. Changes in consolidation status are applied prospectively in accordance with GAAP.

**Segment Information:** The Company operates and manages its business as one reportable and operating segment. The Company's chief executive officer, who is the chief operating decision maker, reviews financial information on an aggregate basis for purposes of evaluating financial performance and allocating resources. All of the Company's long-lived assets and customers are located in the United States.

**Fair Value of Financial Instruments:** Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of inputs that may be used to measure fair value are defined below:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The carrying amounts of the Company's long-term debt approximate the fair value based on consideration of current borrowing rates available to the Company (Level 2 input). The carrying values of accounts receivable, accounts payable, accrued expenses and other current liabilities approximate their fair values due to the short-term nature of these assets and liabilities.

**Accounts Receivable:** Accounts receivable are stated at invoice value less estimated allowances for doubtful accounts. The Company establishes an allowance for doubtful accounts as losses are estimated to have occurred



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through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the receivable is no longer collectible. These losses have been immaterial to date. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on the credit risk of specific customers, past collection history, and management's evaluation of accounts receivable. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. The Company did not record an allowance for doubtful accounts at December 30, 2018. As of December 29, 2019, the Company recorded an allowance for doubtful accounts of \$304 in the accompanying consolidated balance sheets.

**Inventories:** Inventories are stated at the lower of cost (determined under the first-in, first-out method) or net realizable value. Inventory includes eggs, butter, packaging, feed, laying hens, pullets, merchandise and equipment parts. A reduction in the carrying value of an inventory item from cost to net realizable value is recorded in cost of goods sold with the offset to inventory. Any inventory that does not meet the quality control standards of the Company is separated and a reserve is recorded for the cost.

The cost associated with laying hens and pullets are accumulated up to the production stage which involves a growing period of approximately 24 weeks, and are amortized to cost of goods sold over their productive lives, which are generally 54 weeks.

**Property, Plant and Equipment, Net:** Property, plant and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives. The general range of useful lives of other property, plant and equipment is as follows:

	<u>Estimated Useful Life</u>
Land	N/A
Building and improvements	39 years
Vehicles	5 years
Machinery and equipment	2 to 7 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of lease term or 5 years

When assets are sold or retired, the cost and related accumulated depreciation or amortization of assets disposed of are removed from the accounts, with any resulting gain or loss recorded in income from operations in the consolidated statements of operations. Costs of repairs and maintenance are expensed as incurred.

**Goodwill:** Goodwill represents the excess of cost over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Goodwill is not amortized but is tested for impairment annually on the first day of the fourth fiscal quarter or more frequently if events or changes in circumstances indicate that the asset may be impaired. The Company's goodwill impairment test is performed at the enterprise level given the sole reporting unit.

The Company first assesses qualitative factors to determine whether events or circumstances existed that would lead the Company to conclude that it is more likely than not that the fair value of the reporting unit is below its carrying amount. If the Company determines that it is more likely than not that the fair value of the reporting unit is below the carrying amount, a quantitative goodwill assessment is required. In the quantitative evaluation, the fair value of the reporting unit is determined and compared to the carrying value. If the fair value is greater than the carrying value, then the carrying value is deemed to be recoverable and no further action is required. If the fair value estimate is less than the carrying value, goodwill is considered impaired for the amount by which the

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carrying amount exceeds the reporting unit's fair value and a charge is reported as impairment of goodwill in the consolidated statements of operations.

To date, the Company has not recorded any impairment charges associated with its goodwill.

**Impairment of Long-Lived Assets:** The Company reviews the carrying value of property, plant and equipment for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects and the effects of obsolescence, demand, competition and other economic factors. The Company did not recognize an impairment loss during the years ended December 31, 2017, December 30, 2018 and December 29, 2019.

**Contingent Consideration:** In connection with the Company's acquisition of certain assets of Heartland Eggs, LLC in 2014, the Company was required to make royalty payments to prior owners of certain assets of Heartland Eggs. The royalty payments are contingent on the Company's future purchase of eggs from supplier contracts that were acquired in the certain assets of Heartland Eggs acquisition. The royalty payments are deemed to be contingent because the future egg purchases are not guaranteed, and the timing and amount of any such purchases are unknown. The fair value of the contingent consideration was determined at the acquisition date using unobservable inputs (Level 3 inputs). These inputs included projected financial information, market volatility, risk-adjusted discount rates and timing of contractual payments. Subsequent to the acquisition date, at each reporting date, the contingent consideration liability is remeasured to fair value with changes in fair value recorded within selling, general and administrative expenses in the Company's consolidated statements of operations.

**Noncontrolling Interest:** The Company recognizes noncontrolling interest related to VIE's, in which the Company is the primary beneficiary, as equity in the consolidated financial statements separate from the parent entity's equity. The amount of net loss attributable to noncontrolling interests are included in consolidated net income on the face of the consolidated statements of operations. Changes in the parent entity's ownership interest in a subsidiary that do not result in deconsolidation are treated as equity transactions if the parent entity retains its controlling financial interest. In addition, when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary will be initially measured at fair value and the difference between the carrying value and fair value of the retained interest will be recorded as a gain or loss. Affiliate equity interests where the Company has certain rights to demand settlement are presented at their current redemption values, as redeemable noncontrolling interest in the consolidated balance sheet. Because these transactions take place between entities under common control, any gains or losses attributable to these transactions are required to be included within additional paid-in-capital on the consolidated balance sheets.

**Income Taxes:** Income taxes are computed using the asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the consolidated financial statements. In estimating future tax consequences, the Company considers all expected future events other than enactment of changes in tax laws or rates. A valuation allowance is recorded, if necessary, to reduce net deferred tax assets to their realizable values if management does not believe it is more likely than not that the net deferred tax assets will be realized.

The Company follows the provisions of the authoritative guidance from the Financial Accounting Standards Board ("FASB") on accounting for uncertainty in income taxes. These provisions provide a comprehensive model for the recognition, measurement and disclosure in financial statements of uncertain income tax positions

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that a company has taken or expects to take on a tax return. Under these provisions, a company can recognize the benefit of an income tax position only if it is more likely than not (greater than 50%) that the tax position will be sustained upon tax examination, based solely on the technical merits of the tax position. Otherwise, no benefit can be recognized. Assessing an uncertain tax position begins with the initial determination of the sustainability of the position and is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. As of each balance sheet date, unresolved uncertain tax positions must be reassessed. Additionally, the Company must accrue interest and related penalties, if applicable, on all tax exposures for which reserves have been established consistent with jurisdictional tax laws.

The Company's policy is to recognize interest and penalties related to uncertain tax positions in the provision for income taxes. As of December 30, 2018 and December 29, 2019, the Company had no accrued interest or penalties related to uncertain tax positions.

**Net (Loss) Income per Share Attributable to Vital Farms, Inc. Common Stockholders:** The Company applies the two-class method to compute basic and diluted net (loss) income per share attributable to Vital Farms, Inc. common stockholders when shares meet the definition of participating securities. The two-class method determines net (loss) income per share for each class of the Company's common stock and Preferred Stock according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires (loss) income available to common stockholders of Vital Farms, Inc. for the period to be allocated between the Company's common stock and Preferred Stock based upon their respective rights to share in the earnings as if all (loss) income for the period had been distributed. During periods of loss, there is no allocation required under the two-class method since the Preferred Stock does not have a contractual obligation to share in the Company's losses.

Basic net (loss) income per share attributable to Vital Farms, Inc. stockholders is computed by dividing net (loss) income by the weighted-average number of shares outstanding during the period without consideration of potentially dilutive common stock. Diluted net (loss) income per share reflects the potential dilution that could occur if securities or other contracts to issue shares of the Company's common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company unless inclusion of such shares would be anti-dilutive. For periods in which the Company reports net losses, diluted net loss per common share attributable to Vital Farms, Inc. common stockholders is the same as basic net loss, because potentially dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

**Revenue Recognition:** The Company generates revenue primarily through sales of products, including pasture-raised eggs and butter, to its customers, which include natural channel retailers, mainstream channel retailers and foodservice partners. The Company sells its products to customers on a purchase-order basis.

Revenue for the years ended December 31, 2017 and December 30, 2018 is presented under Topic 605.

The Company recognizes revenue under ASC Topic 605, *Revenue Recognition* (Topic 605), when all the following criteria are met: (i) upon the transfer of title of the product, ownership and risk of loss to the customer, which typically occurs upon delivery and acceptance of the product by customers; (ii) collection of the relevant receivable is reasonably assured; (iii) persuasive evidence of an arrangement exists; and (iv) the sales price is fixed or determinable. The Company periodically offers sales incentives to its customers to encourage purchases. These sales incentives include discounts, in-store promotions, volume rebates and other similar offers. Provision for sales incentives is recorded at the later of the date at which the related revenue is recognized or the sales incentive is offered. At the end of each accounting period, the Company recognizes a liability for an estimated promotional allowance reserve. Chargebacks and discount offers, when accepted by customers, are treated as a

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reduction of the sales price of the related transaction. Current discount and inducement offers are presented as a net amount in net revenue. For the years ended December 31, 2017 and December 30, 2018, the Company recorded chargebacks of \$1,288 and \$1,388 and discounts of \$8,445 and \$14,384, respectively.

*Adoption of ASC 606*

In May 2014, the FASB issued ASC Topic 606, *Revenue from Contracts with Customers* (Topic 606), which was subsequently updated. The Company adopted the standard as of December 31, 2018, using the modified retrospective method. Under this method, entities recognize the cumulative effect of applying the new standard at the date of initial application with no restatement of comparative periods presented. The Company's assessment efforts included an evaluation of revenue contracts with customers, related sales incentives and contract costs that were not complete as of December 31, 2018. Adoption of Topic 606 did not have a material impact on the Company's results of operations or financial position; therefore, there was no adjustment to previously reported results. The Company does not expect the adoption of Topic 606 will have a material impact in future periods.

Under Topic 606, revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the Company performs the following five steps:

- (i) Identify the contract(s) with a customer.

The Company considers the terms and conditions of the Company's contracts and the Company's standard business practices to identify contracts under Topic 606. The Company considers that it has a contract with a customer when the contract is approved, the Company can identify each party's rights regarding the products to be transferred, the Company can identify the payment terms for the products to be transferred, the Company has determined that the customer has the ability and intent to pay, and the contract has commercial substance. The Company applies judgment in determining the customer's ability and intention to pay, which is based on a variety of factors, including the customer's credit worthiness, historical payment experience or, in the case of a new customer, credit and financial information pertaining to the new customer.

- (ii) Identify the performance obligations in the contract.

Performance obligations promised in a contract are identified based on the products or services that will be transferred to the customer that are capable of being distinct, whereby the customer can benefit from the product or services either on their own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the products or services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised products or services, the Company applies judgment to determine whether promised products or services are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised products or services are accounted for as a combined performance obligation. Shipping and distribution activities occur prior to the transfer of control of a good and are considered activities to fulfill the Company's promise to deliver goods to the customers. Shipping and distribution activities are not a promised service, and therefore, are not a separate performance obligation.

- (iii) Determine the transaction price.

The Company defines the transaction price as the amount of consideration in a contract to which it expects to be entitled in exchange for transferring promised goods or services to a customer; amounts collected on behalf of

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third parties are excluded. Variable consideration is included in the transaction price, if, in the Company's judgment, it is probable that no significant future reversal of cumulative revenue under the contract will occur. The Company determines the amount of variable consideration by using the expected value method or the most likely amount method. In addition, the Company accounts for consideration payable to customers such as sales incentives and slotting fees as a reduction in the transaction price. For the year ended December 29, 2019, the Company recorded chargebacks of \$1,874 and discounts of \$16,573, respectively.

- (iv) Allocate the transaction price to the performance obligations in the contract.

The Company has no significant arrangements with multiple performance obligations. For contracts that contain a single performance obligation, the Company allocates the entire transaction price to the single performance obligation.

- (v) Recognize revenue as the entity satisfies a performance obligation.

Revenue is recognized when control of the product is transferred to the customer and the related performance obligation is satisfied, which typically occurs upon delivery of the product to the customer, for an amount that reflects the net consideration the Company expects to receive in exchange for delivering the product.

#### *Contract Costs*

The Company sometimes incurs costs to obtain or fulfill a contract with a customer. The Company has applied the practical expedient in ASC 340-40-25-4 and records as an expense the incremental costs of obtaining contracts with customers in the period of occurrence when the amortization period of these costs is less than one year. For the year ending December 29, 2019, all contract costs assessed upon the adoption of Topic 606 had an amortization period of less than one year.

**Treasury Stock:** The Company records treasury stock activities under the cost method whereby the cost of the acquired stock is recorded as treasury stock. The Company's accounting policy upon the formal retirement of treasury stock is to deduct the par value from the Company's common stock and to reflect any excess of cost over par value as a reduction to additional paid-in capital (to the extent created by previous issuances of the shares).

**Shipping and Distribution:** The Company's shipping and distribution costs include costs incurred with third-party carriers to transport products to customers and salaries and overhead costs related to activities to prepare the Company's products for shipment. Shipping and distribution costs were \$5,724, \$8,615 and \$10,001 during the years ended December 31, 2017, December 30, 2018 and December 29, 2019, respectively.

**Stock-Based Compensation:** The Company measures all stock-based awards granted to employees and directors based on the fair value on the date of the grant and recognizes compensation expense for those awards, over the requisite service period, which is generally the vesting period of the respective award. The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model, which requires inputs based on certain subjective assumptions, including the fair value of the Company's common stock, expected stock price volatility, the expected term of the option, the risk-free interest rate for a period that approximates the expected term of the option, and the Company's expected dividend yield.

Effective December 31, 2018, the Company adopted ASU No. 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* ("ASU 2018-07"), which expands

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the scope of Topic 718 to include share-based payment awards to nonemployees. As a result, stock-based awards granted to consultants and non-employees are accounted for in the same manner as awards granted to employees and directors as described above. The impact of adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

Prior to the adoption of ASU 2018-07, the Company recognized compensation expense for stock-based awards granted to consultants and non-employees over the shorter of the vesting period or the period during which services are rendered by such consultants and non-employees until completed. At the end of each financial reporting period prior to completion of the service, the fair value of these awards is re-measured using the then-current fair value of the Company's common stock and updated assumption inputs in the Black-Scholes option-pricing model.

The Company classifies stock-based compensation expense in its consolidated statements of operations in the same manner in which the award recipient's payroll costs are classified or in which the award recipient's service payments are classified.

**Stock Option Valuation:** The fair value of stock option grants is estimated using the Black-Scholes option-pricing model. The Company historically has been a private company and lacks company-specific historical and implied volatility information. Therefore, it estimates its expected stock volatility based on the historical volatility of a publicly traded set of peer companies and expects to continue to do so until such time as it has adequate historical data regarding the volatility of its own traded stock price. For options with service-based vesting conditions, the expected term of the Company's stock options has been determined utilizing the "simplified" method for awards that qualify as "plain-vanilla" options. The expected term of stock options granted to non-employee consultants is equal to the contractual term of the option award. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is based on the fact that the Company did not pay cash dividends in any of the periods presented and does not expect to pay any cash dividends in the foreseeable future.

**Advertising and Promotion Expenses:** Advertising and promotion expenses consist primarily of costs incurred promoting and marketing the Company's products. The Company expenses all advertising and promotion costs as incurred. During the years ended December 31, 2017, December 30, 2018 and December 29, 2019, the Company incurred advertising and promotion expenses of approximately \$1,663, \$4,613 and \$10,320, respectively.

**Recent Accounting Pronouncements:** From time to time, new accounting pronouncements are issued by the FASB under its Accounting Standards Codification or other standard setting bodies. The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an emerging growth company or (ii) it affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, these financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

**Recently Adopted Accounting Pronouncements:** In June 2018, the FASB issued ASU 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting (Topic 718)*, which simplifies the accounting for share-based

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payments to nonemployees by aligning it with the accounting for share-based payments to employees and directors, with certain exceptions. The new standard is effective for non-public companies for annual reporting periods beginning after December 15, 2019 with early adoption permitted. The Company adopted this standard on December 31, 2018. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* (Topic 230). This standard clarifies the classification of certain cash receipts and cash payments in the statement of cash flows, including debt prepayment or extinguishment costs, settlement of contingent consideration arising from a business combination, insurance settlement proceeds, and distributions from certain equity method investees. For non-public companies, the guidance in the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Company adopted this standard on December 31, 2018. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) ("ASU 2014-09") which amended the existing FASB Accounting Standards Codification. ASU 2014-09 supersedes the revenue recognition requirements in Revenue Recognition ("Topic 605") and establishes a principle for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The standard also provides guidance on the recognition of costs related to obtaining and fulfilling customer contracts. Additionally, the standard requires disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The new standard also requires the capitalization of costs to acquire a contract. The Company utilized the modified retrospective method of adoption, applying the standards to only 2019, and not restating prior periods presented in the consolidated financial statements. The Company's assessment efforts included an evaluation of revenue contracts with customers, costs to acquire contracts and related sales incentives that were not complete as of December 31, 2018. Adoption of ASU 2014-09 did not have a material impact on the Company's results of operations or financial position.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other*, that simplifies the accounting for goodwill impairment for all entities by requiring impairment charges to be based on the first step in the current two-step impairment test under ASC 350. Under current guidance, if the fair value of a reporting unit is lower than its carrying amount (Step 1), an entity calculates any impairment charge by comparing the implied fair value of goodwill with its carrying amount (Step 2). The implied fair value of goodwill is calculated by deducting the current fair value of all assets and liabilities of the reporting unit from the reporting unit's fair value as determined in Step 1. Under ASU 2017-04, if a reporting unit's carrying amount exceeds its fair value, an entity will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. The guidance is effective for fiscal years beginning after December 15, 2020, and early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017. The guidance must be applied prospectively. The Company adopted this standard on January 1, 2018 and the adoption of this standard did not have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting* (Topic 718). The new guidance simplifies certain aspects related to income taxes, statement of cash flows, and forfeitures when accounting for share-based payment transactions. Certain of the amendments related to timing of the recognition of tax benefits and tax withholding requirements should be applied using a modified retrospective transition method. Amendments related to the presentation of

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the statement of cash flows should be applied retrospectively. All other provisions may be applied on a prospective or modified retrospective basis. The Company adopted this standard on January 1, 2018 and elected to prospectively account for forfeitures as they occur. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

**Recently Issued Accounting Pronouncements Not Yet Adopted:** In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement* (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements for fair value measurements. The standard is effective for all entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company does not expect the adoption of ASU 2018-13 to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in ASU 2016-02 supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of operations. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Company expects to adopt the guidance retrospectively at the beginning of the period of adoption, fiscal year 2021, through a cumulative-effect adjustment, and will not apply the new standard to comparative periods presented. The new standard provides a number of practical expedients. Upon adoption, the Company expects to elect all of the practical expedients available. The Company is currently evaluating the impact of its pending adoption of ASU 2016-02 on its consolidated financial statements. It is anticipated that the primary impact of the adoption will be the recording of a right-of-use asset and lease liability of similar amount on the Company's consolidated balance sheets.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), *Measurement of Credit Losses on Financial Instruments*, which requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. For non-public companies, the guidance in ASU 2016-13 is effective for fiscal years beginning after December 15, 2022 and interim periods within fiscal years beginning after December 15, 2023. The Company is currently evaluating the impact of its pending adoption of ASU 2016-13 on its consolidated financial statements.

### **3. Variable Interest Entity**

In May 2016, the Company entered into a master joint development and production distribution agreement (the "JDPD Agreement") with Novatrans Group SA ("Novatrans") for the development of certain technology related to determining certain properties of an egg, including fertility (the "TeraEgg Technology"). In May 2016, pursuant to the JDPD Agreement, the Company paid \$446 to Novatrans for research and development activities in connection with the TeraEgg Technology.

In December 2016, pursuant to the JDPD Agreement, the Company entered into an assignment agreement with Ovabrite, Inc. ("Ovabrite"), whereby the Company granted and assigned to Ovabrite all rights and obligations of the Company under the JDPD Agreement. Ovabrite was incorporated in the state of Delaware in November 2016. The



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founding stockholders of Ovabrite are also stockholders of the Company, with the majority stockholder of Ovabrite's equity at the time of formation serving as the Company's executive chairman and member of the Company's board of directors. Ovabrite is a related party because its principal owners are stockholders of the Company and Ovabrite is deemed to be a VIE.

In December 2016, in consideration for the assignment and grant of rights under the JDPD Agreement, Ovabrite issued an unsecured promissory note in a principal amount of \$446 (the "First Note") to the Company, which represented the total cash paid by the Company to Novatrans under the JDPD Agreement. Interest on the First Note accrued at an annual rate of 1.46%, and Ovabrite was required to make semi-annual payments on amounts outstanding under the First Note, including any accrued but unpaid interest, until the First Note matured on December 23, 2021.

In December 2016, the Company extended an unsecured line of credit to Ovabrite to be used for working capital under which Ovabrite's maximum borrowing capacity was \$50 (the "Ovabrite Line of Credit"). Interest on the Ovabrite Line of Credit accrued at an annual rate of 1.46%, and Ovabrite was required to make semi-annual payments on amounts outstanding under the Ovabrite Line of Credit including any accrued but unpaid interest, until the Ovabrite Line of Credit matured on December 23, 2021.

In December 2016, the Company entered into a services agreement with Ovabrite under which the Company provides certain administrative services to Ovabrite in exchange for a monthly management fee.

In November 2017, Ovabrite modified the First Note and the Ovabrite Line of Credit and issued a 1.45% unsecured convertible promissory note to the Company in a principal amount of \$496 plus previously accrued and unpaid interest of \$6 (the "Ovabrite Convertible Note"). In the event of a qualified sale of Ovabrite equity securities to one or more investors resulting in gross proceeds to Ovabrite of at least \$1,000, all principal and accrued and unpaid interest on the Ovabrite Convertible Note was automatically convertible into a number of shares of Ovabrite's equity securities issued in such a financing equal to the outstanding principal and accrued but unpaid interest on the Ovabrite Convertible Note, divided by an amount equal to 80% of the lowest price per share of the equity security sold in the financing. In the event of a non-qualified sale of Ovabrite equity securities (a "Nonqualified Financing"), all principal and accrued and unpaid interest on the Ovabrite Convertible Note was contingently convertible into a number of shares of Ovabrite's equity securities issued in such a financing equal to the outstanding principal and accrued but unpaid interest on the Ovabrite Convertible Note, divided by an amount equal to 80% of the lowest price per share of the equity security sold in such financing.

In November 2017, Ovabrite issued 1,065,038 shares of convertible preferred stock (the "Series 2017 Preferred Stock") at \$0.14 per share for gross proceeds of \$150, which constituted a Nonqualified Financing; issuance costs associated with the financing were de minimis. In March 2018, in connection with the Series 2017 Preferred Stock purchase agreement, Ovabrite issued an additional 177,506 shares of Series 2017 Preferred Stock at \$0.14 per share for gross proceeds of \$25 to its stockholders; issuance costs associated with the financing were de minimis. In April 2018, as a result of the Nonqualified Financing event that occurred in November 2017, the Company elected to exercise its option to convert the outstanding principal balance of the Ovabrite Convertible Note into 4,459,490 shares of Series 2017 Preferred Stock at a conversion price of \$0.112672 per share.

The Company is the primary beneficiary of the VIE as the Company has (i) the power to direct the activities of Ovabrite that most significantly impact Ovabrite's economic performance and (ii) the obligation to absorb losses that could potentially be significant to Ovabrite, or the right to receive benefits from Ovabrite that could potentially be significant to Ovabrite. Therefore, the assets, liabilities, and results of operations of Ovabrite are included in the consolidated financial statements.

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The table below presents the assets and liabilities (including intercompany balances that were eliminated in consolidation) of Ovabrite as of December 30, 2018 and December 29, 2019:

	<u>December 30, 2018</u>	<u>December 29, 2019</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2	\$ 716
Accounts receivable	—	255
Total assets	<u>\$ 2</u>	<u>\$ 971</u>
<b>Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ —	\$ 8
Accrued liabilities	76	206
Total current liabilities	76	214
Note payable to related party	121	—
Total liabilities	197	214
Redeemable convertible preferred stock	677	677
Stockholders' equity:		
Common stock	1	1
Stockholders' (deficit) equity	(873)	79
Total stockholders' (deficit) equity	<u>\$ (872)</u>	<u>\$ 80</u>
Total liabilities, redeemable convertible preferred stock and stockholders' equity	<u>\$ 2</u>	<u>\$ 971</u>

The table below presents the results of operations (including intercompany balances that are eliminated in consolidation) for Ovabrite for the years ended December 31, 2017, December 30, 2018 and December 29, 2019:

	<u>Year Ended</u>		
	<u>December 31, 2017</u>	<u>December 30, 2018</u>	<u>December 29, 2019</u>
Operating expenses:			
Selling, general and administrative	\$ 218	\$ 190	\$ 153
Total operating expenses	218	190	153
Loss from operations	(218)	(190)	(153)
Other (expense) income, net:			
Interest expense	(7)	(2)	—
Other income	—	—	1,200
Total other (expense) income, net	(7)	(2)	1,200
Net (loss) income before income taxes	(225)	(192)	1,047
Provision for income taxes	—	—	120
Net (loss) income	<u>\$ (225)</u>	<u>\$ (192)</u>	<u>\$ 927</u>

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**Redeemable Noncontrolling Interests:** In connection with the consolidation of Ovabrite, the Company recognized the issuance of Series 2017 Preferred Stock in November 2017 and April 2018 as redeemable noncontrolling interests. The Series 2017 Preferred Stock is considered redeemable noncontrolling interests and are classified in mezzanine equity on the consolidated balance sheet as the shares are redeemable upon an event that is not solely within the control of Ovabrite. A liquidation, dissolution or winding up of Ovabrite would constitute a redemption event, which may be outside of Ovabrite's control. The redeemable noncontrolling interests were measured at fair value upon issuance. Subsequent measurement depends on either (i) the redeemable noncontrolling interests becoming redeemable at fair value or (ii) when the Series 2017 Preferred Stock becomes, or is probable of becoming, redeemable. The noncontrolling interest has not been remeasured to fair value since issuance because it is currently not probable that the Series 2017 Preferred Stock will become redeemable based on the likelihood of occurrence of certain events that would prevent it from becoming redeemable. If the Company determines that redemption of the Series 2017 Preferred Stock is probable, the noncontrolling interest will be remeasured to fair value, with changes in the carrying value recognized within additional paid-in-capital.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of Ovabrite or deemed liquidation event, the holders of the shares of outstanding Series 2017 Preferred Stock shall be entitled to an amount equal to the greater of (a) the Series 2017 Original Issue price, plus any dividends declared but unpaid or (b) such amount per share as would have been payable had all shares been converted into Ovabrite common stock immediately prior to such liquidation, dissolution or winding up or deemed liquidation event.

The following table presents a rollforward of the redeemable noncontrolling interests:

	<b>Redeemable Noncontrolling Interest</b>
Balance as of December 31, 2017	\$ 150
Issuance of noncontrolling interest	25
Balance as of December 30, 2018	<u>\$ 175</u>
Issuance of noncontrolling interest	—
Balance as of December 29, 2019	<u><u>\$ 175</u></u>

**4. Fair Value**

The following table presents information about the Company's financial liabilities measured at fair value on a recurring basis:

	<b>Fair Value Measurements as of December 30, 2018 Using:</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Liabilities:</b>				
Contingent consideration, current	\$ —	\$ —	\$ 390	\$390
Contingent consideration, net of current portion	—	—	601	601
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 991</u>	<u>\$991</u>

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	Fair Value Measurements as of December 29, 2019 Using:			Total
	Level 1	Level 2	Level 3	
<b>Liabilities:</b>				
Contingent consideration, current	\$ —	\$ —	\$ 270	\$270
Contingent consideration, net of current portion	—	—	382	382
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 652</u>	<u>\$652</u>

During the year ended December 30, 2018 and December 29, 2019, there were no transfers between Level 1, Level 2 or Level 3.

The contingent consideration in the table above relates to royalty payments in connection with the acquisition of certain assets of Heartland Eggs. The fair value of the contingent consideration was determined based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. See Note 2, “Summary of Significant Accounting Policies.”

The Company used a discounted cash flow valuation technique which incorporates estimates and assumptions to value the contingent consideration. Key estimates and assumptions impacting the fair value measurement include: (i) projected financial information, (ii) market volatility, (iii) risk-adjusted discount rates and (iv) timing of contractual payments.

The following table presents the unobservable inputs incorporated into the valuation of contingent consideration:

<u>Unobservable Input</u>	<u>December 30, 2018</u>	<u>December 29, 2019</u>
Dozens of eggs supplied	16,151,149	10,367,830
Royalty rate per dozen eggs	\$ 0.07	\$ 0.07
Estimated royalty income	\$ 1,131	\$ 726
Discount interval (years)	5.0	4.0

The following table provides a rollforward of the aggregate fair value of the Company’s contingent consideration, for which fair value is determined using Level 3 inputs:

Balance as of December 31, 2017	\$1,393
Payment of contingent consideration	(494)
Change in fair value	92
Balance as of December 30, 2018	\$ 991
Payment of contingent consideration	(409)
Change in fair value	70
Balance as of December 29, 2019	<u>\$ 652</u>

**5. Revenue Recognition**

The reported results for the years ending December 31, 2017 and December 30, 2018 reflects the application under the guidance of Topic 605, while the year ended December 29, 2019 reflect the application of Topic 606 guidance.

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The following table summarizes the Company's net revenue by primary product:

	<u>December 31, 2017</u>	<u>Year Ended December 30, 2018</u>	<u>December 29, 2019</u>
<b>Net Revenue:</b>			
Eggs	\$ 69,629	\$ 98,967	\$ 128,579
Butter	4,371	7,746	12,154
<b>Net Revenue</b>	<b>\$ 74,000</b>	<b>\$ 106,713</b>	<b>\$ 140,733</b>

Net revenue is primarily generated from the sale of eggs and butter. Historically, the Company's product offering was comprised of pasture-raised shell eggs and pasture-raised butter. In 2018, the Company added pasture-raised hard boiled eggs to its product offering, and in 2019, the Company launched both clarified butter ("ghee") and liquid whole eggs.

For the years ended December 31, 2017, December 30, 2018 and December 29, 2019, net revenue generated from eggs included net revenue from pasture-raised shell eggs of \$69,629, \$98,269 and \$126,185, respectively, net revenue generated from liquid whole eggs of \$0, \$0 and \$239, respectively, and net revenue generated from hard boiled eggs of \$0, \$698 and \$2,155, respectively.

For the years ended December 31, 2017, December 30, 2018 and December 29, 2019, net revenue generated from butter included revenue from pasture-raised butter of \$4,371, \$7,746 and \$11,508, respectively, and net revenue generated from ghee was \$0, \$0 and \$646, respectively.

**6. Accounts Receivable, Net**

Accounts receivable, net was \$10,236 and \$16,108 at December 30, 2018 and December 29, 2019, respectively. As of December 30, 2018 and December 29, 2019, the company recorded an allowance for doubtful accounts of \$0 and \$304, respectively.

Changes in the allowance for doubtful accounts were as follows:

	<u>Balance as of December 31, 2017</u>	<u>Provisions Charged to Operating Results</u>	<u>Account Write-off</u>	<u>Balance as of December 30, 2018</u>
<b>Allowance for doubtful accounts</b>	<b>\$ (23)</b>	<b>\$ —</b>	<b>\$ 23</b>	<b>\$ —</b>
	<u>Balance as of December 30, 2018</u>	<u>Provisions Charged to Operating Results</u>	<u>Account Write-off and Recoveries</u>	<u>Balance as of December 29, 2019</u>
<b>Allowance for doubtful accounts</b>	<b>\$ —</b>	<b>\$ (304)</b>	<b>\$ —</b>	<b>\$ (304)</b>

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**7. Inventories**

As of December 30, 2018 and December 29, 2019, inventories consisted of the following:

	<u>December 30, 2018</u>	<u>December 29, 2019</u>
Eggs and inventory in transit	\$ 2,407	\$ 9,000
Butter	323	646
Packaging	636	1,949
Ghee	—	792
Other	699	749
Less: excess and obsolete inventory reserve	(199)	(189)
	<u>\$ 3,866</u>	<u>\$ 12,947</u>

Changes in the excess and obsolete inventory reserve, were as follows:

	<u>Balance at Beginning of Year</u>	<u>Provisions Charged to Operating Results</u>	<u>Account Write- off</u>	<u>Balance at End of Year</u>
<b>Excess and obsolete inventory reserve</b>				
As of December 30, 2018	\$ (262)	\$ (200)	\$ 263	\$ (199)
As of December 29, 2019	\$ (199)	\$ (189)	\$ 199	\$ (189)

During the years ended December 31, 2017, December 30, 2018 and December 29, 2019, laying-hen costs amortized to cost of goods sold were approximately \$412, \$676 and \$484, respectively. On a periodic basis, the Company compares the amount of inventory on hand with its latest forecasted requirement to determine whether write-offs for excess or obsolete inventory reserves are required.

In November 2019, the Company amended certain of its long-term supply contracts associated with its egg producing farms to reduce projected inventory levels in future periods. The need to reduce inventory levels was due to changes in the Company's projected product demand outlook. The Company does not anticipate incurring additional losses of this nature in connection with its long-term supply contracts; however, if the Company's projected inventory levels exceed the Company's projected product demand outlook, the Company may be required to further amend its long-term supply contracts to align with the Company's projections. Pursuant to the terms of the amendments, the Company made commitments to reimburse certain of the farms for lost income in connection with removing birds from current flocks ahead of schedule and agreed to pay to the impacted farms the equivalent of the profit they could have reasonably earned on the output of the impacted flock. The Company measured the losses on the amended long-term supply contracts in the same manner as inventory losses, and accrued approximately \$1,649 in expected payments to suppliers under these arrangements, which is charged to cost of sales for the year ended December 29, 2019 and included in accrued liabilities as of December 29, 2019 in the accompanying consolidated balance sheets.

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**8. Property, Plant and Equipment**

Property, plant and equipment consisted of the following:

	<u>December 30, 2018</u>	<u>December 29, 2019</u>
Land	\$ 525	\$ 525
Buildings and improvements	14,175	14,241
Vehicles	480	454
Machinery and equipment	5,112	6,297
Leasehold improvements	7	483
Furniture and fixtures	122	422
Construction in progress	575	3,396
	<u>20,996</u>	<u>25,818</u>
Less: Accumulated depreciation and amortization	(2,336)	(3,360)
Property, Plant and Equipment, net	<u>\$ 18,660</u>	<u>\$ 22,458</u>

Depreciation and amortization of property, plant and equipment totaled \$821, \$1,437 and \$1,921 for the years ended December 31, 2017, December 30, 2018 and December 29, 2019, respectively.

**9. Goodwill**

The Company's goodwill was generated from the business acquisition of Redhill Farms LLC in 2013 and the acquisition of certain assets of Heartland Eggs in 2014. There were no changes to the goodwill carrying value during the years ended December 31, 2017, December 30, 2018 and December 29, 2019.

**10. Accrued Liabilities**

Accrued liabilities consisted of the following:

	<u>December 30, 2018</u>	<u>December 29, 2019</u>
Accrued promotions	\$ 2,124	\$ 1,887
Accrued grower payments	—	1,649
Accrued employee related costs	2,172	1,132
Accrued offering costs	—	385
Accrued distribution fees	406	624
Accrued accounting and legal fees	214	86
Accrued commissions	—	212
Accrued freight	150	—
Accrued expired product chargebacks	145	151
Accrued marketing	126	675
Other	508	843
Property, plant and equipment	—	964
Accrued Liabilities	<u>\$ 5,845</u>	<u>\$ 8,608</u>

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**11. Long-Term Debt**

**Line of credit:** In October 2015, the Company entered into a credit agreement (the “Line of Credit”) with a financial institution that provided for maximum borrowings in one or more advances up to an amount equal to \$4,000,000 subject to certain borrowing requirements as defined in the agreement. Borrowings under the Line of Credit accrued interest at one-month LIBOR plus 1.9% and had a maturity date of September 30, 2017. As of December 31, 2017, there were no outstanding borrowings under the Line of Credit agreement.

**Subordinated debt:** In March 2017, the Company issued Senior Subordinated Promissory Notes (the “Subordinated Debt”) to certain stockholders totaling \$4,000. Borrowings under the Subordinated Debt bore interest at a rate per annum equal to the lesser of the applicable rate of 14% or the maximum rate, defined as the maximum non-usurious interest rate permitted under applicable law, and had an original maturity date of December 31, 2018 (“Maturity Date”). As of October 4, 2017, the date of repayment of all borrowings under the Subordinated Debt agreements, the effective interest rate applicable to borrowings under Subordinated Debt agreements was 14%. The Subordinated Debt agreement required interest only payments semi-annually, on September 1 and March 1 of each calendar year, beginning on March 1, 2018 through the Maturity Date when all unpaid principal and interest became due and payable. In October 2017, a portion of the proceeds from the credit facility agreement with PNC Bank, National Association (the “Credit Facility”) was used to repay the outstanding balance of \$4,000 under the Subordinated Debt agreement as further discussed below. The Company accounted for the repayment of the outstanding balance under the Subordinated Debt as an extinguishment of the Subordinated Debt which did not result in an impact to the Company’s consolidated statements of operations as there was no unamortized debt discount at the time of extinguishment.

**Credit facility:** On October 4, 2017, the Company entered into the Credit Facility agreement that provided for an initial term loan of \$4,700 and a revolving line of credit of up to \$10,000. The Credit Facility also originally provided for a \$1,500 equipment note for the purpose of funding permitted capital expenditures, subject to certain restrictions.

On April 13, 2018 and April 25, 2018, the Company entered into amended loan agreements in connection with the Credit Facility (the “First Amendment Loan” and “Second Amendment Loan,” respectively). The First Amendment Loan was entered to decrease the maximum borrowings under the equipment note from \$1,500 to \$750 and to waive existing events of default. The Second Amendment Loan was entered to modify various definitions and terms that were not significant.

On February 7, 2019, the Company entered into the Third Amendment to the Credit facility (“Third Amendment Loan”). The Third Amendment Loan agreement was entered into to waive existing events of default under the Credit Facility.

Borrowings under the term loan are repayable in monthly installments of principal and interest, followed by a balloon payment of all unpaid principal and accrued and unpaid interest due on October 4, 2022. Interest on borrowings under the term loan accrues at a rate, at the Company’s election at the time of borrowing, equal to (i) LIBOR plus 2.75% or (ii) 1.75% plus the sum of the Federal Funds Open Rate plus 50 basis points and the Daily LIBOR Rate plus 100 basis points. As of December 31, 2017, December 30, 2018 and December 29, 2019, the interest rate applicable to borrowings under the term loan was 4.15%, 6.33% and 4.64%, respectively.

Under the revolving line of credit, the maximum borrowing capacity is \$10,000. Interest on borrowings under the revolving line of credit, as well as loan advances thereunder, accrues at a rate, at the Company’s election at the time of borrowing, equal to (i) LIBOR plus 2.0% or (ii) 1.0% plus the alternate base rate. There were no outstanding borrowings under the revolving line of credit as of December 30, 2018. As of December 29, 2019, the interest rate applicable to borrowings under the revolving line of credit was 5.75%.



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Under the equipment loan, the maximum borrowing capacity is \$750, subject to certain restrictions. Any borrowings under the equipment loan from October 4, 2018 through October 4, 2019 will be due and payable beginning the following month with 36 monthly installments of principal and interest due through October 4, 2022, and all accrued and unpaid interest due October 4, 2022. Interest on borrowings under the equipment loan accrues at a rate, at the Company's election at the time of borrowing, equal to (i) LIBOR plus 2.75% or (ii) 1.75% plus the alternate base rate. There were no outstanding borrowings under the equipment loan as of December 30, 2018. As of December 29, 2019, the interest rate applicable to borrowings under the equipment loan was 4.44%.

The Credit Facility is secured by all of the Company's assets and requires the Company to maintain three financial covenants: a fixed charge coverage ratio, a leverage ratio and a minimum EBITDA. The Credit Facility also contains various covenants relating to limitations on indebtedness, investments and acquisitions, mergers, consolidations, the sale of properties and liens and capital expenditures. In addition, the Credit Facility imposes limitations on the Company's ability to pay dividends or distributions on any equity interest, declare any stock splits or reclassifications of its stock, or apply any of its funds, property or assets to purchase, redeem or retire any of its equity interests or to purchase, redeem or retire any of its options to purchase any of its equity interests. As a result of the limitations contained in the Credit Facility, all of the net assets on the Company's consolidated balance sheet as of December 29, 2019 are restricted in use. The Company's wholly owned subsidiaries are non-operating and do not hold any assets or liabilities; therefore, these subsidiaries have no restricted net assets within the meaning of Rule 4-08(e)(3) or Rule 12-04 of Regulation S-X. The Credit Facility also contains other customary covenants, representations and events of default. As of December 29, 2019, the Company was in compliance with all covenants under the Credit Facility.

The Company incurred debt issuance costs of \$219 during the year ended December 31, 2017 relating to the Credit Facility. These costs were capitalized as loan origination fees and recorded as debt issuance costs. The debt issuance costs are reflected as a reduction of the carrying value of long-term debt on the Company's consolidated balance sheets and is being amortized to interest expense over the term of the Credit Facility using the effective interest method. The Company recognized interest expense of \$524, \$424 and \$349 including amortization of debt issuance costs of \$40, \$71 and \$9 during the years ended December 31, 2017, December 30, 2018 and December 29, 2019, respectively.

As of December 30, 2018 and December 29, 2019, Long-term debt, net of current portion, consisted of the following:

	<u>December 30, 2018</u>	<u>December 29, 2019</u>
Term loan under credit facility agreement	\$ 3,916	\$ 3,245
Revolving line of credit	—	1,325
Equipment loan	—	554
Less: current maturities of long-term debt	(671)	(2,160)
Less: unamortized debt issuance costs	(109)	(68)
Long-term debt, net of current portion	<u>\$ 3,136</u>	<u>\$ 2,896</u>

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During the years ended December 31, 2017, December 30, 2018 and December 29, 2019, the Company made principal payments in connection with the Credit Facility of \$112, \$671 and \$671, respectively.

Future principal payments for long-term debt as of December 29, 2019 are as follows:

<u>For Fiscal Period</u>	
2020	\$2,160
2021	867
2022	2,097
Total	<u>\$5,124</u>

## 12. Lease Obligation

The following is a summary of leased property under capital leases included in property, plant and equipment in the consolidated balance sheets:

	<u>December 30, 2018</u>	<u>December 29, 2019</u>
Equipment	\$ 2,211	\$ 2,211
Less: accumulated depreciation	(390)	(706)
Equipment, net	<u>\$ 1,821</u>	<u>\$ 1,505</u>

Future minimum lease payments under these capital leases as of December 29, 2019 are as follows:

2020	498
2021	498
2022	334
Total minimum payments	1,330
Less amount representing interest at 5%	84
Present value of minimum lease payments	1,246
Less: Lease obligation, current	449
Lease obligation, net of current portion	<u>797</u>

## 13. Redeemable Convertible Preferred Stock

As of December 30, 2018 and December 29, 2019, the Company's amended and restated certificate of incorporation authorized the Company to issue 8,192,876 shares of Preferred Stock, par value \$0.0001 per share.

In April 2017, the Company issued and sold 3,000,392 shares of Series D Preferred Stock at a price of \$3.7013 per share for gross proceeds of \$11,105, excluding issuance costs of \$85.

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As of each balance sheet date, Preferred Stock consisted of the following:

	December 30, 2018				
	Preferred Stock Designated	Preferred Stock Issued and Outstanding	Carrying Value	Liquidation Preference	Common Stock Issuable Upon Conversion
Series B preferred stock	2,728,018	2,728,018	\$ 4,377	\$ 9,005	2,728,018
Series C preferred stock	2,464,466	2,464,466	7,639	12,002	2,464,466
Series D preferred stock	3,000,392	3,000,392	11,020	19,429	3,000,392
Total Preferred Stock	8,192,876	8,192,876	\$ 23,036	\$ 40,436	8,192,876

	December 29, 2019				
	Preferred Stock Designated	Preferred Stock Issued and Outstanding	Carrying Value	Liquidation Preference	Common Stock Issuable Upon Conversion
Series B preferred stock	2,728,018	2,728,018	\$ 4,377	\$ 9,005	2,728,018
Series C preferred stock	2,464,466	2,464,466	7,639	12,002	2,464,466
Series D preferred stock	3,000,392	3,000,392	11,020	19,429	3,000,392
Total Preferred Stock	8,192,876	8,192,876	\$ 23,036	\$ 40,436	8,192,876

The holders of the Preferred Stock have the following rights and preferences:

**Voting:** The holders of the Preferred Stock are entitled to the number of votes equal to the number of whole shares of the Company's common stock into which the shares of Preferred Stock held by such holder are convertible on such date. The holders of Preferred Stock shall vote together with the holders of the Company's common stock, as a single class, on all matters submitted to a vote of stockholders.

**Liquidation:** Upon any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of Series D Preferred Stock will be entitled to be paid out of the assets of the Company available for distribution to its stockholders before any payment shall be made to the holders of Series B Preferred Stock, Series C Preferred Stock or the Company's common stock by reason of their ownership thereof, an amount equal to the greater of (a) \$6.48 per Share of Series D Preferred Stock, plus any dividends declared but unpaid thereon, and (b) such amount per share as would have been payable had all shares of Series D Preferred Stock been converted into common stock immediately prior to a liquidation, dissolution or deemed liquidation event; provided that, if upon any liquidation event the amount payable with respect to any Series D Preferred Stock are not paid in full, the holders thereof shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them. Upon any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of Series B Preferred Stock and Series C Preferred Stock will be entitled to be paid out of the assets of the Company available for distribution to its stockholders, before any payment shall be made to the holders of the Company's common stock, an amount equal to the greater of (i) \$3.30 per share of Series B Preferred Stock, plus any declared but unpaid dividends, or \$4.87 per share of Series C Preferred Stock or (ii) such amount per share as would have been payable had all shares of Series B Preferred Stock and Series C Preferred Stock been converted into shares of the Company's common stock immediately prior to such liquidation, dissolution or deemed liquidation event; provided that, if upon any liquidation event the amounts payable with respect to any series of Series B Preferred Stock and Series C Preferred Stock, are not paid in full, the holders thereof shall share ratably in all the assets

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available for payment in proportion to the full respective liquidation preference amount to which they are entitled. Upon completion of the distributions required above, the remaining assets of the Company available for distribution to its stockholders shall be distributed ratably to the holders of the Company's common stock.

**Conversion:** Each share of Preferred Stock is convertible into shares of the Company's common stock on a one-for-one basis, subject to appropriate adjustment in the event of any stock dividend, stock split or similar recapitalization, at the option of the stockholder and subject to adjustments in accordance with anti-dilution provisions. In addition, such shares will be converted automatically into shares of the Company's common stock at the then applicable conversion ratio upon the earlier of (i) a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (a "Qualified IPO"), or (ii) the occurrence of an event specified by vote or written consent of the holders of at least 66.66% of the then outstanding shares of Preferred Stock.

**Dividends:** Dividends are payable if and when declared by the Company's board of directors.

**Redemption:** The holders of the Company's Preferred Stock have no voluntary rights to redeem shares. A liquidation, dissolution or winding up of the Company would constitute a redemption event, which may be outside of the Company's control.

**Ovabrite's Series 2017 Preferred Stock:** As of December 30, 2018 and December 29, 2019, Ovabrite had issued 5,702,034 shares of Series 2017 Preferred Stock. The Company holds approximately 80% of these shares, which have been eliminated in consolidation. The remaining shares of Series 2017 Preferred Stock outstanding are presented as redeemable noncontrolling interest on the Company's consolidated balance sheets. See Note 3, "Variable Interest Entity."

#### **14. Common Stock and Common Stock Warrants**

**Common Stock:** As of December 29, 2019, the Company's amended and restated certificate of incorporation authorized the Company to issue 40,348,565 shares of common stock, par value \$0.0001 per share.

In March and April 2019, the Company issued and sold an aggregate of 2,815,012 shares of common stock at a purchase price of \$5.3286 per share, for proceeds of \$14,097, net of issuance costs of \$903.

In March and April 2019, the Company executed a tender offer to repurchase 2,852,770 shares of its common stock and the vested equity of certain directors, employees and officers for a net purchase price of \$5.0087 per share for net proceeds of \$14,289.

The voting, dividend and liquidation rights of the holders of the Company's common stock are subject to and qualified by the rights, powers and preferences of the holders of the Preferred Stock set forth above. Each share of the Company's common stock is entitled to one vote on all matters submitted to a vote of the Company's stockholders. Holders of the Company's common stock are entitled to receive dividends as may be declared by the Company's board of directors, if any, subject to the preferential dividend rights of Preferred Stock. No cash dividends had been declared or paid during the periods presented.

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As of each balance sheet date, the Company had reserved shares of common stock for issuance in connection with the following:

	<u>December 30, 2018</u>	<u>December 29, 2019</u>
Conversion of outstanding shares of redeemable convertible preferred stock	8,192,876	8,192,876
Warrants to purchase common stock	196,800	196,800
Options to purchase common stock	3,259,079	5,413,064
Shares available for grant under the 2013 Incentive Plan	64,954	240,079
<b>Total</b>	<u><u>11,713,709</u></u>	<u><u>14,042,819</u></u>

**Common Stock Warrants:** In June 2015, the Company issued a warrant to the guarantor of a line of credit agreement that was entered into in 2015 and matured and was repaid in full in 2017. The guarantor was also the Company's Chief Executive Officer. The warrant provided for the purchase of a total of 196,800 shares of the Company's common stock at an exercise price of \$1.43 per share. As of December 29, 2019, the warrant has not yet been exercised. The warrant expires upon the earlier of June 12, 2020 or the completion of this offering. At the time of issuance, the Company classified the warrant as equity in its consolidated balance sheets.

### 15. Stock-Based Compensation

**The Option Plan:** The Vital Farms Inc. 2013 Incentive Plan (the "Option Plan") provides for the Company to grant incentive stock options or nonqualified stock options, restricted stock awards and other stock-based awards to its employees, directors, officers, outside advisors and non-employee consultants outside advisors and non-employee consultants.

As of December 29, 2019, the Company has reserved 5,653,143 shares of its common stock for issuance to its employees, directors, outside advisors and non-employee consultants pursuant to the Option Plan. Unless otherwise provided, at the time of grant, the options issued pursuant to the Option Plan expire 10 years from the date of grant and generally vest over five years, with 20% vesting on the first anniversary and the balance vesting ratably over 48 months. At December 30, 2018 and December 29, 2019, 64,954 and 240,079 shares, respectively, were available for future grants of the Company's common stock.

The Option Plan is administered by the Company's board of directors or, at the discretion of the Company's board of directors, by a committee thereof. The exercise prices, vesting and other restrictions are determined at the discretion of the Company's board of directors, or its committee if so delegated. The Company's board of directors values the Company's common stock, taking into consideration the most recently available valuation thereof performed by third parties, as well as additional factors which may have changed since the date of the most recent contemporaneous valuation through the date of grant.

During the years ended December 31, 2017, December 30, 2018 and December 29, 2019, the Company granted to its employees and directors options to purchase an aggregate of 167,280, 886,655 and 2,519,709 shares of its common stock, respectively. The Company recorded stock-based compensation expense for options granted to employees and directors of \$320, \$424 and \$902 during the years ended December 31, 2017, December 30, 2018 and December 29, 2019, respectively.

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During the years ended December 31, 2017, December 30, 2018 and December 29, 2019, the Company did not grant any options to purchase shares to its non-employee consultants. The Company recorded stock-based compensation expense for options granted to non-employees of \$175, \$176 and \$127 during the years ended December 31, 2017, December 30, 2018 and December 29, 2019, respectively.

**Stock Option Valuation:** The following table presents, on a weighted-average basis, the assumptions used in the Black-Scholes option-pricing model to determine the grant-date fair value of stock options granted to the Company's employees and directors:

	December 31, 2017	Year Ended December 30, 2018	December 29, 2019
Expected term in years	6.5	6.5	6.5
Expected stock price volatility	37%	24%	40%
Risk-free interest rate	2.09%	2.76%	1.58%
Expected dividend yield	0.00%	0.00%	0.00%

**Stock Options:** The following table summarizes the Company's stock option activity since December 30, 2018:

	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 30, 2018	3,259,079	\$ 2.24	6.4	\$ 4,683
Granted	2,519,709	\$ 5.49	9.6	\$ 22,522
Exercised	(152,908)	\$ 1.45		
Cancelled	(212,816)	\$ 3.43		
Outstanding as of December 29, 2019	<u>5,413,064</u>	\$ 3.73	7.3	\$ 60,059
Options exercisable as of December 29, 2019	2,346,733	\$ 1.96	4.8	\$ 30,189
Options vested and expected to vest as of December 29, 2019	5,413,064	\$ 3.73	7.3	\$ 60,059

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

The aggregate intrinsic value of stock options exercised during the years ended December 31, 2017, December 30, 2018 and December 29, 2019 was \$53, \$6 and \$2,046, respectively.

The weighted-average grant-date fair value per share of stock options granted during the years ended December 31, 2017, December 30, 2018 and December 29, 2019 was \$1.38, \$1.11 and \$2.57, respectively.

**Stock-Based Compensation:** For the years ended December 31, 2017, December 30, 2018 and December 29, 2019, stock-based compensation expense of \$495, \$600 and \$1,029, respectively, was recorded within selling, general and administrative expenses in the consolidated statements of operations.

Effective December 31, 2018, the Company adopted ASU 2018-07 and no longer remeasures the fair value of equity awards granted to non-employees at each reporting period. See Note 2, "Summary of Significant

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Accounting Policies.” As of December 29, 2019, total unrecognized compensation expense related to unvested stock options was \$6,892, which is expected to be recognized over a weighted-average period of 2.2 years.

#### 16. Income Taxes

For the year ended December 31, 2017, December 30, 2018 and December 29, 2019, the provision for income taxes consisted of the following:

	<u>December 31, 2017</u>	<u>Year Ended December 30, 2018</u>	<u>December 29, 2019</u>
Current:			
Federal	\$ 27	\$ —	\$ 867
State	6	3	187
Deferred:			
Federal	—	794	(88)
State	—	(74)	140
Provision for income taxes	<u>\$ 33</u>	<u>\$ 723</u>	<u>\$ 1,106</u>

The reconciliation of the federal statutory income tax provision to the Company’s effective income tax provision is as follows:

	<u>December 31, 2017</u>	<u>Year Ended December 30, 2018</u>	<u>December 29, 2019</u>
Provision (benefit) at statutory rate at 21%	\$ (718)	\$ 1,334	\$ 929
State income taxes	4	182	258
Non-deductible costs	132	129	604
Charitable deduction	—	—	(629)
Change in deferred tax asset valuation allowance	622	(655)	23
Other	(7)	(267)	(79)
Provision for income taxes	<u>\$ 33</u>	<u>\$ 723</u>	<u>\$ 1,106</u>

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Deferred income taxes reflect the net tax effects of loss and credit carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's deferred income tax assets and liabilities at December 30, 2018 and December 29, 2019 were comprised of the following:

	<u>December 30, 2018</u>	<u>December 29, 2019</u>
Deferred tax assets:		
Accrued expenses	\$ 844	\$ 688
Inventory reserve	108	110
Net operating loss carryforwards	230	31
Charitable contributions	—	760
Other	105	378
Total deferred tax assets	<u>1,287</u>	<u>1,967</u>
Less: Valuation allowance	<u>(115)</u>	<u>(138)</u>
Net deferred tax assets	<u>\$ 1,172</u>	<u>\$ 1,829</u>
Deferred tax liabilities:		
Prepaid expenses	\$ 92	\$ 361
Property and equipment	1,783	2,223
Total deferred tax liabilities	<u>1,875</u>	<u>2,584</u>
Net deferred tax liabilities	<u>\$ 703</u>	<u>\$ 755</u>

A valuation allowance is required to be established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. Realization of deferred tax assets is dependent upon future earnings, the timing and amount of which are uncertain. A full review of all positive and negative evidence needs to be considered, including the Company's current and past performance, the market environments in which the Company operates, the utilization of past tax credits, the length of carry back and carry forward periods and tax planning strategies that might be implemented. Management considered the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. The net change in the total valuation allowance for the year ended December 29, 2019 was an increase of approximately \$23.

The activity in the Company's deferred tax asset valuation allowance for the year ended December 30, 2018 and December 29, 2019 was as follows:

	<u>December 30, 2018</u>	<u>December 29, 2019</u>
Valuation allowance as of beginning of year	\$ 770	\$115
Increases recorded to income tax provision	40	23
Decreases recorded as a benefit to income tax provision	(695)	—
Valuation allowance as of end of year	<u>\$ 115</u>	<u>\$ 138</u>

At December 29, 2019, the Company has net operating loss carryforwards state income tax purposes of \$560, which begin to expire in 2021, if not utilized.



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As of December 29, 2019, the Company had unrecognized tax benefits, which represent the aggregate tax effect of the differences between tax return positions and the benefits recognized in the Company's financial statements. At December 29, 2019 an insignificant amount of the unrecognized tax benefits, if recognized, would affect the Company's, annual effective tax rate. The unrecognized tax benefits are long-term in nature.

The following table reflects changes in gross unrecognized tax benefits:

	<u>December 30, 2018</u>	<u>December 29, 2019</u>
Gross tax contingencies as of beginning of year	\$ 201	\$ 314
Increase in gross tax contingencies	113	—
Decrease in gross tax contingencies	—	(42)
Gross tax contingencies as of end of year	<u>\$ 314</u>	<u>\$ 272</u>

The Company files a U.S. federal income tax return, as well as income tax returns in various states. The tax years through 2019 remain open to examination by the tax jurisdictions to which the Company is subject.

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**17. Net (Loss) Income Per Share and Unaudited Pro Forma Net Income Per Share**

*Net (Loss) Income Per Share*

Basic and diluted net (loss) income per share attributable to Vital Farms, Inc. common stockholders were calculated as follows:

	<u>December 31, 2017</u>	<u>Year Ended December 30, 2018</u>	<u>December 29, 2019</u>
<b>Numerator:</b>			
Net (loss) income	\$ (2,145)	\$ 5,629	\$ 3,312
Less: Net (loss) income attributable to noncontrolling interests	(225)	(168)	927
Net (loss) income attributable to Vital Farms, Inc. common stockholders' — basic and diluted	<u>(1,920)</u>	<u>5,797</u>	<u>2,385</u>
<b>Denominator:</b>			
Weighted average common shares outstanding — basic	25,795,865	25,809,665	25,897,223
Weighted average effect of potentially dilutive securities:			
Effect of potentially dilutive stock options	—	1,135,883	1,826,084
Effect of potentially dilutive common stock warrants	—	120,170	154,832
Effect of potentially dilutive convertible preferred stock	—	8,192,876	8,192,876
Weighted average common shares outstanding — diluted	<u>25,795,865</u>	<u>35,258,594</u>	<u>36,071,015</u>
Net (loss) income per share attributable to Vital Farms, Inc. common stockholders			
Basic	<u>\$ (0.07)</u>	<u>\$ 0.22</u>	<u>\$ 0.09</u>
Diluted	<u>\$ (0.07)</u>	<u>\$ 0.16</u>	<u>\$ 0.07</u>

The following potentially dilutive shares were excluded from the computation of diluted net income per share attributable to Vital Farms common Inc. stockholders for the years ended December 31, 2017, December 30, 2018 and December 29, 2019 because including them would have been antidilutive:

	<u>December 31, 2017</u>	<u>Year Ended December 30, 2018</u>	<u>December 29, 2019</u>
Stock options to purchase common stock	2,528,880	494,452	2,538,103
Common stock warrants to purchase common stock	196,800	—	—
Redeemable convertible preferred stock as converted to common stock	8,192,876	—	—
Total	<u>10,918,556</u>	<u>494,452</u>	<u>2,538,103</u>

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*Unaudited Pro Forma Net Income Per Share*

The Company's unaudited pro forma basic and diluted net income per share attributable to Vital Farms, Inc. common stockholders' for the year ended December 29, 2019 has been prepared to give effect to the automatic conversion of the Preferred Stock into shares of common stock as if the qualified IPO had occurred on December 31, 2018:

	<u>Year Ended</u> <u>December 29, 2019</u>
<b>Numerator:</b>	
Net income attributable to Vital Farms, Inc. common stockholders - basic and diluted	\$ 2,385
Unaudited pro forma net income attributable to Vital Farms, Inc. common stockholders— basic and diluted	<u>2,385</u>
<b>Denominator:</b>	
Weighted average common shares outstanding— basic	25,897,223
Pro forma adjustment to reflect automatic conversion of redeemable convertible preferred stock as converted to common stock	<u>8,192,876</u>
Unaudited pro forma weighted average common shares outstanding — basic	34,090,099
Add: Weighted-average effect of potentially dilutive securities:	
Effect of potentially dilutive stock options	1,826,084
Effect of potentially dilutive common stock warrants	<u>154,832</u>
Unaudited pro forma weighted average common shares outstanding — diluted	36,071,015
Unaudited pro forma net income per share attributable to Vital Farms, Inc. common stockholders	
Basic	\$ <u>0.07</u>
Diluted	\$ <u>0.07</u>

### 18. Commitments and Contingencies

In August 2018, the Company entered into a lease agreement for new office space in Austin, Texas for 7,120 rentable square feet. The lease expires in April 2026. The Company has the option to extend the lease agreement for successive periods of up to five years. Monthly lease payments, inclusive of base rent charges is \$17 and subject to periodic rent increases through April 2026.

In January 2019 and July 2019, the Company entered into a first amendment and a second amendment (the "2019 First Amendment" and "2019 Second Amendment," respectively) to modify the terms of its lease agreement for the new office space in Austin, Texas. The 2019 First Amendment provided for additional parking space and the 2019 Second Amendment provided for the expansion of existing premises to 9,082 total rentable

**VITAL FARMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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square feet. The monthly lease payments, which include base rent charges of \$19, are subject to periodic rent increases through April 2026.

In January 2018, the Company entered into a lease agreement for a warehouse space in Webb City, Missouri for 3,000 rentable pallet spaces. The Company has the option to exceed the 3,000 pallet spaces through December 31, 2020, the lease expiration date. Monthly lease payments include base rent charges of \$33.

The Company recognizes rent expense on a straight-line basis over the respective lease period and has recorded deferred rent for rent expense incurred but not yet paid. Rent expense, including associated common area maintenance charges, totaled approximately \$160, \$359 and \$358 for the years ended December 31, 2017, December 30, 2018 and December 29, 2019, respectively.

As of December 29, 2019, future minimum lease payments under noncancelable operating leases are as follows:

2020	\$1,012
2021	302
2022	311
2023	320
2024	329
Thereafter	451
Total	<u>\$2,725</u>

**Supplier Contracts:** The Company purchases its egg inventories under long-term supply contracts with farms. Purchase commitments contained in these arrangements are variable dependent upon the quantity of eggs produced by the farms. Accordingly, there are no estimable future purchase commitments associated with these supplier contracts. In addition, substantially all of the Company's long-term supply contracts with farms contain components that meet the definition of embedded leases within the scope of Topic 840, *Leases*. These arrangements convey to the Company the right to control implicitly identified property, plant and equipment as it takes substantially all of the utility generated by these assets over the term of the arrangements at a variable price. As total purchase commitments contained in these arrangements are variable, the amounts attributable to the lease components are contingent rentals; there are no minimum lease payments associated with these long-term supply contracts. As the classification and timing of recognition of costs attributable to the eggs and embedded cost of the lease rentals are identical, the Company does not allocate the total purchase cost of eggs between the cost of the eggs and the embedded cost of the lease rentals or distinguish between them in its accounting records. The Company records the total purchase costs of eggs, which includes costs associated with the eggs and the corresponding costs of embedded lease rentals from the same arrangement, into inventory in the consolidated balance sheets. These costs are expensed to cost of goods sold in the consolidated statements of operations when the associated eggs are sold to customers. For the years ending December 31, 2017, December 30, 2018 and December 29, 2019, the Company recognized total costs associated with its long-term supply contracts with farms of \$31,194, \$41,728 and \$54,380, respectively, to cost of goods sold in the consolidated statements of operations.

**Indemnification Agreements:** In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and its executive officers that will require the Company, among other

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things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. As of December 29, 2018, the Company has not incurred any material costs as a result of such indemnifications.

**Litigation:** The Company is subject to various claims and contingencies which are in the scope of ordinary and routine litigation incidental to its business, including those related to regulation, litigation, business transactions, employee-related matters and taxes, among others. When the Company becomes aware of a claim or potential claim, the likelihood of any loss or exposure is assessed. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, the Company records a liability for the loss. The liability recorded includes probable and estimable legal costs incurred to date and future legal costs to the point in the legal matter where the Company believes a conclusion to the matter will be reached. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the Company discloses the claim if the likelihood of a potential loss is reasonably possible.

In 2018, the Company settled a lawsuit, in which the Company was the plaintiff. The Company recorded a gain of \$1,000 relating to this settlement and incurred approximately \$271 in related settlement costs which are included in selling, general and administrative expenses in the consolidated statements of operations.

In January 2019, Ovabrite settled claims made pursuant to a lawsuit in which Ovabrite was the defendant and a countersuit in which Ovabrite was the plaintiff. Ovabrite recorded a gain of \$1,200 relating to this settlement which is included in other income in the consolidated statements of operations.

### **19. Related Party Transactions**

**Guarantor Warrants:** The Company's executive chairman and former Chief Executive Officer (the "Guarantor") guaranteed the Company's obligations under a line of credit agreement that was entered into in 2015 and that matured and was repaid in full in 2017. The Company issued a warrant to purchase 196,800 shares of the Company's common stock at an exercise price of \$1.43 to the Guarantor in exchange for his guaranty. See Note 13, "Common Stock and Common Stock Warrants." As of December 29, 2019, the warrant has not yet been exercised. The warrant expires upon the earlier of June 12, 2020 or the completion of the IPO.

**Ovabrite, Inc.:** Ovabrite is a related party because its founders are stockholders of the Company, with the majority stockholder in Ovabrite also serving as the Company's executive chairman and member of the Company's board of directors. Since Ovabrite's incorporation in November 2016, the Company is deemed to have had a variable interest in Ovabrite, and Ovabrite is deemed to have been a VIE, of which the Company is the primary beneficiary. Accordingly, the Company has consolidated the results of Ovabrite since November 2016. All transactions between the Company and Ovabrite have been eliminated in consolidation.

**Notes Receivable from Related Party:** In February 2019, the Company issued promissory notes in the aggregate amount of \$4,000 to its founder and to a former member of the board of directors who is currently a board observer, who are also stockholders of the Company. The promissory notes bear monthly interest at LIBOR plus 2.0% and mature on the earlier of August 7, 2022 or the date of closing of a liquidity transaction which is defined as a merger, consolidation or sale of the Company's assets or such time as the notes would be prohibited by the Sarbanes-Oxley Act ("Promissory Note Maturity Date"). All unpaid principal and accrued and unpaid interest are due on the Promissory Note Maturity Date. The borrower may prepay all or any portion of the promissory notes at any time without premium or penalty.

**VITAL FARMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in thousands, except share and per share amounts)**

During the year ended December 29, 2019, the Company received principal payments in connection with the promissory notes of \$3,200. As of December 29, 2019, the Company recorded \$31 of interest receivable in the consolidated balance sheets and \$146 of interest income in the consolidated statements of operations in connection with the promissory notes.

**Manna Tree Partners:** In March and April 2019, the Company issued and sold an aggregate of 2,815,012 shares of common stock at a purchase price of \$5.3286 per share, for an aggregate purchase price of \$15,000, to entities associated with Manna Tree Partners. The co-founder and chief operating officer of Manna Tree Partners is a member of the Company's board of directors.

**2019 Stock Buyback:** In April and May 2019, the Company entered into a series of agreements with existing investors pursuant to which, the Company, with the proceeds from the issuance of common stock to Manna Tree Partners, repurchased an aggregate of 2,852,770 shares of its common stock at a net purchase price of \$5.0087 per share for net proceeds of \$14,289. The existing investors included executives and members of the Company's board of directors.

**Sandpebble Builders Preconstruction, Inc.** The Company utilizes Sandpebble Builders Preconstruction, Inc. (Sandpebble) for project management and related services associated with the construction and expansion of Egg Central Station. The owner and principal of Sandpebble is the father of an executive of the Company. During 2017, 2018 and 2019, the Company paid Sandpebble approximately \$1,200, \$211 and \$556, respectively.

#### **20. 401(K) Savings Plan**

The Company established a defined contribution savings plan under Section 401(k) of the Internal Revenue Code of 1986, as amended. This plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Company contributions to the plan may be made at the discretion of the Company's board of directors. During the years ended December 31, 2017, December 30, 2018 and December 29, 2019, the Company made contributions totaling \$47, \$245 and \$246, respectively, to the plan.

#### **21. Subsequent Events**

Management has evaluated all subsequent events through March 26, 2020, the date these consolidated financial statements were available for issuance, and only with respect to the forward stock split described below, through July 22, 2020.

On February 24, 2020, the Company entered into the Fourth Amendment to the Credit facility ("Fourth Amendment Loan") which amended or waived certain terms or conditions under the Credit Facility and increased the maximum loan amount to \$17,700. In addition, the Fourth Amendment Loan increased the maximum borrowings under the equipment loan to \$3,000 and extended the borrowing period for the equipment loan from October 4, 2019 through October 4, 2021.

In July 2020, the board of directors and the stockholders of the Company approved a 2.46-for-1 forward stock split of the Company's outstanding common stock and Preferred Stock, which was effected on July 22, 2020. Stockholders entitled to fractional shares as a result of the forward stock split will receive a cash payment in lieu of receiving fractional shares. All common stock, Preferred Stock, and per share information has been retroactively adjusted to give effect to this forward stock split for all periods presented. Shares of common stock underlying outstanding stock options and other equity instruments were proportionately increased and the respective per share value and exercise prices, if applicable, were proportionately decreased in accordance with the terms of the agreements governing such securities. There were no changes in the par values of the Company's common stock and Preferred Stock as a result of the forward stock split.

**VITAL FARMS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Amounts in thousands, except share amounts)**

	December 29, 2019	March 29, 2020	Pro Forma March 29, 2020 (Unaudited)
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,274	\$ 1,711	\$ 1,711
Accounts receivable, net	16,108	19,177	19,177
Inventories	12,947	12,148	12,148
Income taxes receivable	1,615	1,202	1,202
Prepaid expenses and other current assets	2,706	2,680	2,680
Total current assets	34,650	36,918	36,918
Property, plant and equipment, net	22,458	25,630	25,630
Notes receivable from related party	831	836	836
Goodwill	3,858	3,858	3,858
Deposits and other assets	151	180	180
Total assets	<u>\$ 61,948</u>	<u>\$ 67,422</u>	<u>\$ 67,422</u>
<b>Liabilities, Redeemable Noncontrolling Interest, Redeemable Convertible Preferred Stock and Stockholders' Equity</b>			
Current liabilities:			
Accounts payable	\$ 13,510	\$ 14,409	\$ 14,409
Accrued liabilities	8,608	5,397	5,397
Current portion of long-term debt	2,160	6,634	6,634
Lease obligation, current	449	454	454
Contingent consideration, current	270	245	245
Total current liabilities	24,997	27,139	27,139
Long-term debt, net of current portion	2,896	3,582	3,582
Lease obligation, net of current portion	797	682	682
Contingent consideration, non-current	382	337	337
Deferred tax liabilities, net	755	1,169	1,169
Other liability, non-current	272	272	272
Total liabilities	30,099	33,181	33,181
Commitments and contingencies (Note 15)			
Redeemable noncontrolling interest	175	175	175
Redeemable convertible preferred stock (Series B, Series C and Series D), \$0.0001 par value; 8,192,876 shares authorized, issued, and outstanding as of December 29, 2019 and March 29, 2020 (unaudited); no shares outstanding as of March 29, 2020 (unaudited) proforma; aggregate liquidation preference of \$40,436 as of December 29, 2019 and March 29, 2020 (unaudited)	23,036	23,036	—
Stockholders' equity:			
Common stock, \$0.0001 par value per share, 40,348,565 shares authorized as of December 29, 2019 and March 29, 2020 (unaudited); 31,429,898 and 31,437,486 shares issued as of December 29, 2019 and March 29, 2020 (unaudited), respectively; 25,934,980 and 25,942,568 shares outstanding as of December 29, 2019 and March 29, 2020 (unaudited), respectively; 39,630,362 shares issued and 34,135,444 shares outstanding as of March 29, 2020 pro forma (unaudited)	3	3	3
Treasury stock, at cost, 5,494,918 common shares as of December 29, 2019 and March 29, 2020 (unaudited)	(16,276)	(16,276)	(16,276)
Additional paid-in capital	19,593	20,051	43,087
Retained earnings	5,239	7,184	7,184
Total stockholders' equity attributable to Vital Farms, Inc. stockholders	8,559	10,962	33,998
Noncontrolling interests	79	68	68
Total stockholders' equity	<u>\$ 8,638</u>	<u>\$ 11,030</u>	<u>\$ 34,066</u>
Total liabilities, redeemable noncontrolling interest, redeemable convertible preferred stock and stockholders' equity	<u>\$ 61,948</u>	<u>\$ 67,422</u>	<u>\$ 67,422</u>

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

**VITAL FARMS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Amounts in thousands, except for shares and per share data)**  
**(Unaudited)**

	Fiscal Quarter Ended	
	March 31, 2019	March 29, 2020
Net revenue	\$ 32,945	\$ 47,579
Cost of goods sold	21,439	31,724
Gross profit	11,506	15,855
Operating expenses:		
Selling, general and administrative	5,164	9,678
Shipping and distribution	2,079	3,274
Total operating expenses	7,243	12,952
Income from operations	4,263	2,903
Other income (expense), net:		
Interest expense	(86)	(158)
Other income	1,269	20
Total other income (expense), net	1,183	(138)
Net income before income taxes	5,446	2,765
Provision for income taxes	1,421	831
Net income	4,025	1,934
Less: Net income (loss) attributable to noncontrolling interests	967	(11)
Net income attributable to Vital Farms, Inc. stockholders	\$ 3,058	\$ 1,945
Net income per share attributable to Vital Farms, Inc. stockholders:		
Basic:	\$ 0.12	\$ 0.07
Diluted:	\$ 0.09	\$ 0.05
Weighted average common shares outstanding:		
Basic:	26,221,974	25,942,277
Diluted:	35,766,018	37,118,484
Pro forma net income per share attributable to Vital Farms, Inc. common stockholders:		
Basic:		\$ 0.06
Diluted:		\$ 0.05
Pro forma weighted average common shares outstanding:		
Basic:		34,135,153
Diluted:		37,118,484

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



**VITAL FARMS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND**  
**STOCKHOLDERS' EQUITY**  
(Amounts in thousands, except share amounts)  
(Unaudited)

	Redeemable Convertible Preferred Stock		Redeemable Noncontrolling Interest	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Total Stockholders' Equity Attributable to Vital Farms, Inc. Stockholders'	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount	Amount	Shares	Amount	Shares	Amount					
<b>Balances at December 30, 2018</b>	8,192,876	\$23,036	\$ 175	28,461,978	\$ 3	(2,642,148)	\$ (1,987)	\$ 4,245	\$ 2,854	\$ 5,115	\$ (848)	\$ 4,267
Issuance of common stock, net of issuance costs \$497	—	—	—	1,407,506	—	—	—	7,003	—	7,003	—	7,003
Stock-based compensation expense	—	—	—	—	—	—	—	143	—	143	—	143
Net income attributable to non-controlling interests - stockholders	—	—	—	—	—	—	—	—	—	—	967	967
Net income attributable to Vital Farms, Inc.	—	—	—	—	—	—	—	—	3,058	3,058	—	3,058
<b>Balances at March 31, 2019</b>	<u>8,192,876</u>	<u>\$23,036</u>	<u>\$ 175</u>	<u>29,869,484</u>	<u>\$ 3</u>	<u>(2,642,148)</u>	<u>\$ (1,987)</u>	<u>\$ 11,391</u>	<u>\$ 5,912</u>	<u>\$ 15,319</u>	<u>\$ 119</u>	<u>\$ 15,438</u>
<b>Balances at December 29, 2019</b>	8,192,876	\$23,036	\$ 175	31,429,898	\$ 3	(5,494,918)	\$(16,276)	\$ 19,593	\$ 5,239	\$ 8,559	\$ 79	\$ 8,638
Exercise of stock options	—	—	—	7,588	—	—	—	10	—	10	—	10
Stock-based compensation expense	—	—	—	—	—	—	—	448	—	448	—	448
Net loss attributable to non-controlling interests - stockholders	—	—	—	—	—	—	—	—	—	—	(11)	(11)
Net income attributable to Vital Farms, Inc.	—	—	—	—	—	—	—	—	1,945	1,945	—	1,945
<b>Balances at March 29, 2020</b>	<u>8,192,876</u>	<u>\$23,036</u>	<u>\$ 175</u>	<u>31,437,486</u>	<u>\$ 3</u>	<u>(5,494,918)</u>	<u>\$(16,276)</u>	<u>\$ 20,051</u>	<u>\$ 7,184</u>	<u>\$ 10,962</u>	<u>\$ 68</u>	<u>\$ 11,030</u>

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

**VITAL FARMS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands)  
(Unaudited)

	<b>Fiscal Quarter Ended</b>	
	<b>March 31, 2019</b>	<b>March 29, 2020</b>
<b>Cash flows provided by operating activities:</b>		
Net income	\$ 4,025	\$ 1,934
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	356	456
Non-cash interest expense	4	30
Bad debt recovery	—	(116)
Inventory provisions	(55)	73
Change in fair value of contingent consideration	22	(23)
Stock-based compensation expense	143	448
Deferred taxes	—	413
Non-cash interest income	(23)	(5)
Changes in operating assets and liabilities:		
Accounts receivable	279	(2,953)
Inventories	(826)	726
Income taxes receivable	—	413
Income taxes payable	1,281	—
Prepaid expenses and other current assets	(12)	619
Deposits and other assets	87	(27)
Accounts payable	(585)	1,434
Accrued liabilities and other liabilities	(1,576)	(2,575)
Net cash provided by operating activities	<u>\$ 3,120</u>	<u>\$ 847</u>
<b>Cash flows used in investing activities:</b>		
Purchases of property, plant and equipment	(704)	(4,269)
Notes receivable provided to related parties	(4,000)	—
Net cash used in investing activities	<u>\$ (4,704)</u>	<u>\$ (4,269)</u>
<b>Cash flows provided by financing activities:</b>		
Proceeds from borrowings under revolving line of credit	—	3,907
Proceeds from borrowings under equipment loan	—	1,461
Proceeds from issuance of common stock	7,500	—
Repayment of equipment loan	—	(49)
Repayment of term loan	(168)	(168)
Payment of contingent consideration	(121)	(47)
Payment of issuance costs of common stock	(376)	—
Principal payments under lease obligation	(105)	(110)
Proceeds from exercise of stock options	—	10
Payment of deferred offering costs	—	(1,145)
Net cash provided by financing activities	<u>\$ 6,730</u>	<u>\$ 3,859</u>
<b>Net increase in cash and cash equivalents</b>	<u>\$ 5,146</u>	<u>\$ 437</u>
Cash and cash equivalents at beginning of the period	11,815	1,274
Cash and cash equivalents at end of the period	<u>\$ 16,961</u>	<u>\$ 1,711</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 92	\$ 136
Cash paid for income taxes	\$ 13	\$ 5
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Purchases of property, plant and equipment included in accounts payable and accrued liabilities	\$ 11	—
Common stock issuance costs in accounts payable and accrued liabilities	\$ 121	—
Deferred offering costs in accounts payable and accrued liabilities	—	\$ 444

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

**VITAL FARMS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in thousands, except share and per share amounts)**  
**(Unaudited)**

**1. Nature of the Business and Basis of Presentation**

Vital Farms, Inc. (“Vital Farms”) was incorporated in Delaware on June 6, 2013 and is headquartered in Austin, Texas. Vital Farms packages, markets and distributes pasture-raised shell eggs, pasture-raised butter and other products. These products are sold under the trade names Vital Farms, Alfresco Farms, Lucky Ladies and RedHill Farms, primarily to retail foodservice channels in the United States.

Vital Farms Arkansas, LLC, Vital Farms Missouri, LLC, Backyard Eggs, LLC, Barn Door Farms, LLC and Sagebrush Foodservice, LLC are all wholly owned subsidiaries of Vital Farms (collectively referred to with Vital Farms as the “Company”). All significant intercompany transactions and balances have been eliminated in the Vital Farms unaudited condensed consolidated financial statements.

The accompanying unaudited condensed consolidated financial statements as of March 29, 2020 and for the fiscal quarters ended March 31, 2019 and March 29, 2020 have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial statements. The accompanying unaudited condensed consolidated financial statements include the accounts of Vital Farms, its subsidiaries and a variable interest entity (“VIE”) in which Vital Farms has an interest and is the primary beneficiary. The noncontrolling interest attributable to the Company’s VIE is presented as a separate component from stockholders’ equity in the unaudited condensed consolidated balance sheets. Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto for the fiscal year ended December 29, 2019.

The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements. In the opinion of management, the included disclosures are adequate and the accompanying unaudited condensed consolidated financial statements contain all adjustments which are necessary for a fair presentation of the Company’s consolidated financial position as of March 29, 2020, consolidated results of operations for the fiscal quarters ended March 31, 2019 and March 29, 2020, and consolidated cash flows for the fiscal quarters ended March 31, 2019 and March 29, 2020. Such adjustments are of a normal and recurring nature. The consolidated results of operations for the fiscal quarter ended March 29, 2020 are not necessarily indicative of the consolidated results of operations that may be expected for the fiscal year ending December 27, 2020.

**Reclassification of Prior Period Presentation:** Certain prior period amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported consolidated results of operations.

**Fiscal Year:** Our fiscal year ends on the last Sunday in December and contains either 52 or 53 weeks. In a 52-week fiscal year, each of the Company’s fiscal quarters consist of 13 weeks. The additional week in a 53-week fiscal year is added to the fourth quarter, making such quarter consist of 14 weeks. References to fiscal quarter in these unaudited condensed consolidated financial statements relate to the 13-week fiscal periods ended March 31, 2019 and March 29, 2020.

**Impact of COVID-19 Pandemic:** With the ongoing COVID-19 pandemic in the fiscal quarter ended March 29, 2020, we have implemented business continuity plans designed to address and mitigate the impact of the

**VITAL FARMS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in thousands, except share and per share amounts)**  
**(Unaudited)**

COVID-19 pandemic on our business. We do not currently anticipate that the COVID-19 pandemic will have a material impact on the timelines for our product development and expansion efforts. However, the extent to which the COVID-19 pandemic impacts our business, our product development and expansion efforts, our corporate development objectives and the value of and market for our common stock will depend on future developments that are highly uncertain and cannot be predicted with confidence at this time, such as the ultimate duration of the pandemic, travel restrictions, quarantines, social distancing and business closure requirements in the United States, and the effectiveness of actions taken globally to contain and treat the disease. The global economic slowdown, the overall disruption of global supply chains and distribution systems and the other risks and uncertainties associated with the pandemic could have a material adverse effect on the Company's business, financial condition, results of operations and growth prospects.

**Liquidity and Going Concern:** In accordance with Accounting Standards Update ("ASU") No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* (Subtopic 205-40), the Company has evaluated whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the unaudited condensed consolidated financial statements are issued.

Through March 29, 2020, the Company has funded its operations primarily with cash flows from the sale of its products, proceeds from the sale of its capital stock and proceeds from borrowings under its existing Credit Facility (as defined in Note 9, "Long-Term Debt"). As of May 29, 2020, the issuance date of the unaudited condensed consolidated financial statements, the Company expects that its existing cash and cash equivalents, together with cash provided by operating activities and available borrowings, will be sufficient to fund its operating expenses and capital expenditure requirements for at least twelve months from the issuance date of the unaudited condensed consolidated financial statements.

## **2. Summary of Significant Accounting Policies**

The significant accounting policies and estimates used in preparation of the unaudited condensed consolidated financial statements are described in the Company's audited consolidated financial statements as of and for the year ended December 29, 2019, and the notes thereto. Except as detailed below, there have been no material changes to the Company's significant accounting policies during the fiscal quarter ended March 29, 2020.

**Use of Estimates:** The Company does not currently anticipate that the COVID-19 pandemic will have a material impact on the timelines for the Company's product development and expansion efforts and the Company's corporate development objectives. Because future COVID-19 developments are highly uncertain and cannot be predicted with confidence at this time, estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require the exercise of judgment. As of the date of issuance of these unaudited condensed consolidated financial statements, the Company is not aware of any specific event or circumstance that would require the Company to update its estimates, assumptions and judgments or revise the carrying value of its assets or liabilities. These estimates may change as new events occur and additional information is obtained and are recognized in the unaudited condensed consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to the Company's unaudited condensed consolidated financial statements.

**Unaudited Pro Forma Information:** The unaudited pro forma condensed consolidated balance sheet data as of March 29, 2020 assumes the automatic conversion of all outstanding shares of the Company's Series B, Series C, and Series D redeemable convertible preferred stock (collectively, "Preferred Stock") into shares of the

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Company's common stock immediately upon the closing of the Company's planned initial public offering ("IPO"). The shares of the Company's common stock expected to be issued, and the related net proceeds expected to be received, in connection with the planned IPO are excluded from such pro forma information.

The unaudited pro forma basic and diluted net income per share for the fiscal quarter ended March 29, 2020 assumes the automatic conversion of all outstanding shares of Preferred Stock into shares of the Company's common stock immediately upon the closing of the Company's planned IPO, as though the conversion had occurred as of December 31, 2018. The shares of the Company's common stock expected to be issued, and the related net proceeds expected to be received, in connection with the planned IPO are excluded from such pro forma information.

**Deferred Offering Costs:** The Company capitalizes certain legal, accounting and other third-party fees that are directly related to the Company's in-process equity financings until such financings are consummated. After consummation of an equity financing, these costs are recorded as a reduction of the proceeds received as a result of the financing. Should a planned equity financing be abandoned, terminated or significantly delayed, the deferred offering costs are immediately written off to operating expenses. As of March 29, 2020, the Company recorded deferred offering costs of \$1,589 in the accompanying unaudited condensed consolidated balance sheets and are included in prepaid expenses and other current assets.

**Recently Adopted Accounting Pronouncements:** In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), which modifies the disclosure requirements for fair value measurements. The standard is effective for all entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company adopted ASU 2018-13 on December 30, 2019 and the adoption of this standard did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"), which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of the London Interbank Offered Rate ("LIBOR") or by another reference rate expected to be discontinued. The amendments are effective for all entities as of March 12, 2020 through December 31, 2022. The Company adopted ASU 2020-04 on March 12, 2020 and the adoption of this standard did not have a material impact on the Company's unaudited condensed consolidated financial statements.

**Recently Issued Accounting Pronouncements Not Yet Adopted:** In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02") and also issued subsequent amendments to the initial guidance, ASU 2017-13, ASU 2018-01, ASU 2018-10, ASU 2018-11, ASU 2018-20, ASU 2019-01, ASU 2019-10, and ASU 2020-02 (collectively, "Topic 842"). The guidance in Topic 842 supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the unaudited condensed consolidated statement of operations. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Company expects to adopt Topic 842 retrospectively at the beginning of the period of adoption, December 27, 2021, through a cumulative-effect adjustment, and will

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not apply the new standard to comparative periods presented. The new standard provides a number of practical expedients. Upon adoption, the Company expects to elect all of the practical expedients available. The Company is currently evaluating the impact of its pending adoption of Topic 842 on its consolidated financial statements. It is anticipated that the primary impact of the adoption of Topic 842 will be the recording of a right-of-use asset and lease liability of similar amount on the Company's unaudited condensed consolidated balance sheet.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13") and also issued subsequent amendments to the initial guidance, ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11, ASU 2020-02, and ASU 2020-03 (collectively, "Topic 326"), to introduce a new impairment model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. Topic 326 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. For non-public companies, Topic 326 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company expects to adopt Topic 326 on December 26, 2022. The Company is currently evaluating the impact of its pending adoption of Topic 326 on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which intends to simplify the guidance by removing certain exceptions to the general principles and clarifying or amending existing guidance. ASU 2019-12 is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company expects to adopt ASU 2019-12 on December 26, 2022. Although the Company is currently evaluating the impact of the adoption of ASU 2019-12, the Company does not expect it to have a material impact on its consolidated financial statements.

### **3. Fair Value**

The contingent consideration in the unaudited condensed consolidated balance sheet relates to royalty payments in connection with the Heartland Eggs, LLC asset acquisition. The fair value of the contingent consideration was determined based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy.

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The following tables presents information about the Company's financial liabilities measured at fair value on a recurring basis:

	Fair Value Measurements as of December 29, 2019 Using:			
	Level 1	Level 2	Level 3	Total
<b>Liabilities:</b>				
Contingent consideration, current	\$ —	\$ —	\$ 270	\$270
Contingent consideration, non-current	—	—	382	382
<b>Total</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 652</u>	<u>\$652</u>

	Fair Value Measurements as of March 29, 2020 Using:			
	Level 1	Level 2	Level 3	Total
<b>Liabilities:</b>				
Contingent consideration, current	\$ —	\$ —	\$ 245	\$245
Contingent consideration, non-current	—	—	337	337
<b>Total</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 582</u>	<u>\$582</u>

During the fiscal quarters ended March 31, 2019 and March 29, 2020, there were no transfers between fair value measurement levels. During the fiscal quarters ended March 31, 2019 and March 29, 2020, the Company recognized unrealized losses and (gains) associated with the fair value of contingent consideration of \$22 and \$(23), respectively.

The following table provides a rollforward of the aggregate fair value of the Company's contingent consideration, for which fair value is determined using Level 3 inputs:

Balance as of December 29, 2019	<u>\$652</u>
Payment of contingent consideration	(47)
Change in fair value	(23)
Balance as of March 29, 2020	<u>\$582</u>

The following table presents the unobservable inputs incorporated into the valuation of contingent consideration:

<u>Unobservable Input</u>	<u>March 29, 2020</u>
Dozens of eggs supplied	9,191,562
Royalty rate per dozen eggs	\$ 0.07
Estimated royalty income	\$ 643
Discount interval (years)	3.4

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#### 4. Revenue Recognition

The following table summarizes the Company's net revenue by primary product for the periods presented:

	<b>Fiscal Quarter Ended</b>	
	<b>March 31, 2019</b>	<b>March 29, 2020</b>
Net Revenue:		
Eggs	\$ 30,139	\$ 43,945
Butter	2,806	3,634
Net Revenue	\$ 32,945	\$ 47,579

Net revenue is primarily generated from the sale of eggs and butter. Historically, the Company's product offering was comprised of pasture-raised shell eggs, pasture-raised hard boiled eggs and pasture-raised butter. In 2019, the Company added both liquid whole eggs and clarified butter ("ghee") to its product offerings.

During the fiscal quarters ended March 31, 2019 and March 29, 2020, net revenue generated from eggs included net revenue from pasture-raised shell eggs of \$29,741 and \$43,440, respectively, net revenue generated from liquid whole eggs of \$0 and \$149, respectively, and net revenue generated from pasture-raised hard boiled eggs of \$398 and \$356, respectively.

During the fiscal quarters ended March 31, 2019 and March 29, 2020, net revenue generated from butter included net revenue from pasture-raised butter of \$2,743 and \$3,380, respectively, and net revenue generated from ghee of \$63 and \$254, respectively.

As of December 29, 2019 and March 29, 2020, the Company had customers that individually represented 10% or more of the Company's accounts receivable, net and during the fiscal quarters ended March 31, 2019 and March 29, 2020, the Company had customers that individually exceeded 10% or more of the Company's net revenue. The percentage of net revenue from these significant customers during the fiscal quarters ended March 31, 2019 and March 29, 2020, and accounts receivable, net due from these significant customers as of December 29, 2019 and March 29, 2020, are as follows:

	<b>Net Revenue for the Fiscal Quarter Ended March 31, 2019</b>	<b>Net Revenue for the Fiscal Quarter Ended March 29, 2020</b>	<b>Accounts Receivable, Net as of December 29, 2019</b>	<b>Accounts Receivable, Net as of March 29, 2020</b>
Customer A	37%	33%	25%	25%
Customer B	12%	14%	21%	19%
Customer C	12%	11%	*	*

\* Accounts receivable was less than 10%.



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**5. Accounts Receivable**

Accounts receivable, net was \$16,108 and \$19,177 as of December 29, 2019 and March 29, 2020, respectively. As of December 29, 2019, and March 29, 2020, the Company recorded an allowance for doubtful accounts of \$304 and \$188, respectively. Changes in the allowance for doubtful accounts were as follows:

	<u>Balance at Beginning of Period</u>	<u>Provisions Charged to Operating Results</u>	<u>Account Write-off and Recoveries</u>	<u>Balance at End of Period</u>
<b>Allowance for doubtful accounts</b>				
As of March 29, 2020	\$ (304)	\$ —	\$ 116	\$ (188)

**6. Inventories**

Inventory consisted of the following as of the periods presented:

	<u>December 29, 2019</u>	<u>March 29, 2020</u>
Eggs and inventory in transit	\$ 8,811	\$ 7,304
Butter	646	1,881
Packaging	1,949	1,650
Ghee	792	702
Other	749	611
	<u>\$ 12,947</u>	<u>\$ 12,148</u>

Changes in the excess and obsolete inventory reserve for the period presented, were as follows:

	<u>Balance at Beginning of Period</u>	<u>Provisions Charged to Operating Results</u>	<u>Account Write-off</u>	<u>Balance at End of Period</u>
<b>Excess and obsolete inventory reserve</b>				
As of March 29, 2020	\$ (189)	\$ (73)	\$ —	\$ (262)

During the fiscal quarters ended March 31, 2019 and March 29, 2020, laying-hen costs amortized to cost of goods sold were approximately \$139 and \$115, respectively. On a periodic basis, the Company compares the amount of inventory on hand with its latest forecasted requirement to determine whether write-offs for excess or obsolete inventory reserves are required.

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**7. Property, Plant and Equipment**

Property, plant and equipment consisted of the following:

	<u>December 29, 2019</u>	<u>March 29, 2020</u>
Land	\$ 525	\$ 525
Buildings and improvements	14,241	14,258
Vehicles	454	502
Machinery and equipment	6,297	7,708
Leasehold improvements	483	486
Furniture and fixtures	422	437
Construction in progress	3,396	5,530
	<u>25,818</u>	<u>29,446</u>
Less: Accumulated depreciation and amortization	<u>(3,360)</u>	<u>(3,816)</u>
Property, plant and equipment, net	<u>\$ 22,458</u>	<u>\$ 25,630</u>

During the fiscal quarters ended March 31, 2019 and March 29, 2020, depreciation and amortization of property, plant and equipment was approximately \$356 and \$456, respectively.

As of December 29, 2019 and March 29, 2020, machinery and equipment that was leased under capital leases and included in property, plant and equipment, net in the unaudited condensed consolidated balance sheets was approximately \$1,505 and \$1,426, respectively.

**8. Accrued Liabilities**

Accrued liabilities consisted of the following:

	<u>December 29, 2019</u>	<u>March 29, 2020</u>
Accrued promotions and expired product chargebacks	\$ 2,038	\$ 1,860
Accrued grower payments	1,649	100
Accrued employee related costs	1,132	935
Accrued offering costs	385	475
Accrued distribution fees and freight	624	427
Accrued accounting and legal fees	86	36
Accrued marketing and commissions	887	415
Property, plant and equipment	964	—
Other	843	1,149
Accrued liabilities	<u>\$ 8,608</u>	<u>\$ 5,397</u>

**9. Long-Term Debt**

In October 2017, the Company entered into a credit facility agreement with PNC Bank, National Association (the “Credit Facility”) that provided for an initial term loan of \$4,700 (the “Term Loan”) and a revolving line of credit

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of up to \$10,000 (the “Revolving Line of Credit”). The Credit Facility also originally provided for a \$1,500 equipment loan (the “Equipment Loan”) for the purpose of funding permitted capital expenditures, subject to certain restrictions. The Credit Facility matures in October 2022.

In April 2018, the Company entered into amended loan agreements in connection with the Credit Facility (the “First Amendment Loan” and “Second Amendment Loan,” respectively). The First Amendment Loan was entered to decrease the maximum borrowing capacity under the Equipment Loan from \$1,500 to \$750 and to waive existing events of default. The Second Amendment Loan was entered to modify various definitions and terms that were not significant.

In February 2019, the Company entered into the Third Amendment to the Credit Facility (“Third Amendment Loan”). The Third Amendment Loan waived existing events of default under the Credit Facility.

In February 2020, the Company entered into the Fourth Amendment to the Credit Facility (“Fourth Amendment Loan”) which amended or waived certain terms and conditions under the Credit Facility. In addition, the Fourth Amendment Loan increased the maximum borrowing capacity under the Credit Facility to \$17,700. The Fourth Amendment Loan also increased the maximum borrowing capacity under the Equipment Loan to \$3,000 and extended the borrowing period for the Equipment Loan from October 2019 to October 2021.

Borrowings under the Term Loan are repayable in monthly installments of principal and interest, followed by a balloon payment of all unpaid principal and accrued and unpaid interest due in October 2022. Interest on borrowings under the Term Loan accrues at a rate, at the Company’s election at the time of borrowing, equal to (i) LIBOR plus 2.75% or (ii) 1.75% plus the sum of the Federal Funds Open Rate plus 50 basis points and the Daily LIBOR Rate plus 100 basis points. As of December 29, 2019 and March 29, 2020, the interest rate applicable to borrowings under the Term Loan was 4.64% and 4.51%, respectively.

Under the Revolving Line of Credit, the maximum borrowing capacity is \$10,000. Interest on borrowings under the Revolving Line of Credit, as well as loan advances thereunder, accrues at a rate, at the Company’s election at the time of borrowing, equal to (i) LIBOR plus 2.0% or (ii) 1.0% plus the alternate base rate. As of December 29, 2019 and March 29, 2020, the interest rate applicable to borrowings under the Revolving Line of Credit was 5.75% and 4.25%, respectively.

Under the Equipment Loan, the maximum borrowing capacity is \$3,000, subject to certain restrictions. Any borrowings under the Equipment Loan from October 2018 through October 2021 will be due and payable beginning the following month with 36 monthly installments of principal due through October 2022, and all accrued and unpaid interest due October 2022. Interest on borrowings under the Equipment Loan accrues at a rate, at the Company’s election at the time of borrowing, equal to (i) LIBOR plus 2.75% or (ii) 1.75% plus the alternate base rate. As of December 29, 2019 and March 29, 2020, the interest rate applicable to borrowings under the Equipment Loan was 4.44% and 4.83%, respectively.

The Credit Facility is secured by all of the Company’s assets and requires the Company to maintain two financial covenants: a fixed charge coverage ratio and a leverage ratio. The Credit Facility also contains various covenants relating to limitations on indebtedness, dividends, investments and acquisitions, mergers, consolidations, the sale of properties and liens and capital expenditures. In addition, the Credit Facility imposes limitations on the Company’s ability to pay dividends or distributions on any equity interest, declare any stock splits or reclassifications of its stock, or apply any of its funds, property or assets to purchase, redeem or retire any of its equity interests or to purchase, redeem or retire any of its options to purchase any of its equity interests. As a

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result of the limitations contained in the Credit Facility, all of the net assets on the Company's unaudited condensed consolidated balance sheet as of March 29, 2020 are restricted in use. The Company's wholly owned subsidiaries are non-operating and do not hold any assets or liabilities; therefore, these subsidiaries have no restricted net assets within the meaning of Rule 4-08(e)(3) or Rule 12-04 of Regulation S-X. The Credit Facility also contains other customary covenants, representations and events of default. As of March 29, 2020, the Company was in compliance with all covenants under the Credit Facility.

Debt issuance costs associated with the Credit Facility are reflected as a reduction of the carrying value of long-term debt on the Company's unaudited condensed consolidated balance sheets and are being amortized to interest expense over the term of the Credit Facility using the effective interest method. During the fiscal quarters ended March 31, 2019 and March 29, 2020, the Company recognized interest expense of \$86 and \$158, respectively, which includes amortization of debt issuance costs of \$10 and \$9, respectively.

As of the periods presented, long-term debt, net of current portion, consisted of the following:

	<u>December 29, 2019</u>	<u>March 29, 2020</u>
Term Loan	\$ 3,245	\$ 3,077
Revolving Line of Credit	1,325	5,232
Equipment Loan	554	1,966
Less: current portion of long-term debt	(2,160)	(6,634)
Less: unamortized debt issuance costs	(68)	(59)
Long-term debt, net of current portion	<u>\$ 2,896</u>	<u>\$ 3,582</u>

Future principal payments for long-term debt as of March 29, 2020 are as follows:

<u>For Fiscal Period</u>	
2020 (remaining thirty nine weeks)	\$ 6,307
2021	1,432
2022	2,536
Total	<u>\$ 10,275</u>

Amounts outstanding under the Company's Revolving Line of Credit as of March 29, 2020 have been presented as current obligations under current portion of long-term debt in the Company's unaudited condensed consolidated balance sheets due to the Company's ability and intent to repay the amounts within the next twelve months. The Company repaid all amounts outstanding under the Revolving Line of Credit in April 2020.

#### **10. Redeemable Convertible Preferred Stock**

As of December 29, 2019 and March 29, 2020, the Company's amended and restated certificate of incorporation authorized the Company to issue 8,192,876 shares of Preferred Stock, par value \$0.0001 per share.

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As of the dates presented, Preferred Stock consisted of the following:

	December 29, 2019				
	Preferred Stock Designated	Preferred Stock Issued and Outstanding	Carrying Value	Liquidation Preference	Common Stock Issuable Upon Conversion
Series B preferred stock	2,728,018	2,728,018	\$ 4,377	\$ 9,005	2,728,018
Series C preferred stock	2,464,466	2,464,466	7,639	12,002	2,464,466
Series D preferred stock	3,000,392	3,000,392	11,020	19,429	3,000,392
Total Preferred Stock	<u>8,192,876</u>	<u>8,192,876</u>	<u>\$ 23,036</u>	<u>\$ 40,436</u>	<u>8,192,876</u>

	March 29, 2020				
	Preferred Stock Designated	Preferred Stock Issued and Outstanding	Carrying Value	Liquidation Preference	Common Stock Issuable Upon Conversion
Series B preferred stock	2,728,018	2,728,018	\$ 4,377	\$ 9,005	2,728,018
Series C preferred stock	2,464,466	2,464,466	7,639	12,002	2,464,466
Series D preferred stock	3,000,392	3,000,392	11,020	19,429	3,000,392
Total Preferred Stock	<u>8,192,876</u>	<u>8,192,876</u>	<u>\$ 23,036</u>	<u>\$ 40,436</u>	<u>8,192,876</u>

The holders of the Preferred Stock have the following rights and preferences:

**Voting:** The holders of the Preferred Stock are entitled to the number of votes equal to the number of whole shares of the Company's common stock into which the shares of Preferred Stock held by such holder are convertible on such date. The holders of Preferred Stock shall vote together with the holders of the Company's common stock, as a single class, on all matters submitted to a vote of stockholders.

**Liquidation:** Upon any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of Series D preferred stock will be entitled to be paid out of the assets of the Company available for distribution to its stockholders before any payment shall be made to the holders of Series B preferred stock, Series C preferred stock or the Company's common stock by reason of their ownership thereof, an amount equal to the greater of (a) \$6.48 per Share of Series D preferred stock, plus any dividends declared but unpaid thereon, and (b) such amount per share as would have been payable had all shares of Series D preferred stock been converted into common stock immediately prior to a liquidation, dissolution or deemed liquidation event; provided that, if upon any liquidation event the amount payable with respect to any Series D preferred stock are not paid in full, the holders thereof shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them. Upon any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of Series B preferred stock and Series C preferred stock will be entitled to be paid out of the assets of the Company available for distribution to its stockholders, before any payment shall be made to the holders of the Company's common stock, an amount equal to the greater of (i) \$3.30 per share of Series B preferred stock, plus any declared but unpaid dividends, or \$4.87 per share of Series C preferred stock or (ii) such amount per share as would have been payable had all shares of Series B preferred stock and Series C preferred stock been converted into shares of the Company's common stock immediately prior to such liquidation, dissolution or deemed liquidation event; provided that, if upon any liquidation event the amounts payable with respect to any series of Series B Preferred

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Stock and Series C preferred stock, are not paid in full, the holders thereof shall share ratably in all the assets available for payment in proportion to the full respective liquidation preference amount to which they are entitled. Upon completion of the distributions required above, the remaining assets of the Company available for distribution to its stockholders shall be distributed ratably to the holders of the Company's common stock.

**Conversion:** Each share of Preferred Stock is convertible into shares of the Company's common stock on a one-for-one basis, subject to appropriate adjustment in the event of any stock dividend, stock split or similar recapitalization, at the option of the stockholder and subject to adjustments in accordance with anti-dilution provisions. In addition, such shares will be converted automatically into shares of the Company's common stock at the then applicable conversion ratio upon the earlier of (i) a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (a "Qualified IPO"), or (ii) the occurrence of an event specified by vote or written consent of the holders of at least 66.66% of the then outstanding shares of Preferred Stock.

**Dividends:** Dividends are payable if and when declared by the Company's board of directors.

**Redemption:** The holders of the Company's Preferred Stock have no voluntary rights to redeem shares. A liquidation, dissolution or winding up of the Company would constitute a redemption event, which may be outside of the Company's control.

#### **11. Common Stock and Common Stock Warrants**

**Common Stock:** As of March 29, 2020, the Company's amended and restated certificate of incorporation authorized the Company to issue 40,348,565 shares of common stock, par value \$0.0001 per share.

In March 2019, the Company issued and sold an aggregate of 1,407,506 shares of common stock at a purchase price of \$5.3286 per share, for proceeds of \$7,003, net of issuance costs of \$497.

The voting, dividend and liquidation rights of the holders of the Company's common stock are subject to and qualified by the rights, powers and preferences of the holders of the Preferred Stock set forth above. Each share of the Company's common stock is entitled to one vote on all matters submitted to a vote of the Company's stockholders. Holders of the Company's common stock are entitled to receive dividends as may be declared by the Company's board of directors, if any, subject to the preferential dividend rights of Preferred Stock. No cash dividends had been declared or paid during the periods presented.

As of each balance sheet date, the Company had reserved shares of common stock for issuance in connection with the following:

	<u>December 29, 2019</u>	<u>March 29, 2020</u>
Conversion of outstanding shares of redeemable convertible preferred stock	8,192,876	8,192,876
Warrants to purchase common stock	196,800	196,800
Options to purchase common stock	5,413,064	4,915,272
Shares available for grant under the 2013 Incentive Plan	240,079	737,871
<b>Total</b>	<u>14,042,819</u>	<u>14,042,819</u>

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**Common Stock Warrants:** In June 2015, the Company issued a warrant to the guarantor of a line of credit agreement that was entered into in 2015 and matured and was repaid in full in 2017. The guarantor was also the Company's Chief Executive Officer. The warrant provided for the purchase of a total of 196,800 shares of the Company's common stock at an exercise price of \$1.43 per share. As of March 29, 2020, the warrant has not yet been exercised. The warrant expires on the earlier of June 12, 2020 or the completion of the IPO. At the time of issuance, the Company classified the warrant as equity in its unaudited condensed consolidated balance sheets.

**12. Stock-Based Compensation**

As of March 29, 2020, 737,871 shares were available for future grants of the Company's common stock.

The following table summarizes the Company's stock option activity since December 29, 2019:

	<u>Number of Options</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding as of December 29, 2019	5,413,064	\$ 3.73	7.3	\$ 60,059
Granted	—	\$ —		
Exercised	(7,588)	\$ 1.30		\$ 84
Cancelled	(490,204)	\$ 5.31		
Outstanding as of March 29, 2020	<u>4,915,272</u>	\$ 3.58	6.7	\$ 43,585
Options exercisable as of March 29, 2020	2,485,405	\$ 2.11	4.6	\$ 25,677
Options vested and expected to vest as of March 29, 2020	4,915,272	\$ 3.58	6.7	\$ 43,585

The fair value of shares vested during the fiscal quarter ended March 29, 2020 was \$272.

During the fiscal quarters ended March 31, 2019 and March 29, 2020, the Company recognized stock-based compensation expense of \$143 and \$448, respectively, in selling, general and administrative expenses in the unaudited condensed consolidated statements of operations.

As of March 29, 2020, total unrecognized compensation expense related to unvested stock options was \$4,910, which is expected to be recognized over a weighted-average period of 2.1 years.

**13. Income Taxes**

The Company's effective tax rate for the fiscal quarters ended March 31, 2019 and March 29, 2020 was approximately 26% and 30%, respectively. The effective tax rates differ from the federal statutory rate of 21% principally as a result of nondeductible expenses, partially offset by a reversal of a valuation allowance during the fiscal quarter ended March 31, 2019, and nondeductible expenses for the fiscal quarter ended March 29, 2020.

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**14. Net Income Per Share and Unaudited Pro Forma Net Income Per Share***Net Income Per Share*

Basic and diluted net income per share attributable to Vital Farms, Inc. common stockholders were calculated as follows:

	<b>Fiscal Quarter Ended</b>	
	<b>March 31, 2019</b>	<b>March 29, 2020</b>
<b>Numerator:</b>		
Net income	\$ 4,025	\$ 1,934
Less: Net income (loss) attributable to noncontrolling interests	967	(11)
Net income attributable to Vital Farms, Inc. stockholders' — basic and diluted	<u>3,058</u>	<u>1,945</u>
<b>Denominator:</b>		
Weighted average common shares outstanding — basic	26,221,974	25,942,277
Weighted average effect of potentially dilutive securities:		
Effect of potentially dilutive stock options	1,228,433	2,813,139
Effect of potentially dilutive common stock warrants	122,735	170,192
Effect of potentially dilutive redeemable convertible preferred stock	8,192,876	8,192,876
Weighted average common shares outstanding — diluted	<u>35,766,018</u>	<u>37,118,484</u>
Net (loss) income per share attributable to Vital Farms, Inc. stockholders		
Basic	<u>\$ 0.12</u>	<u>\$ 0.07</u>
Diluted	<u>\$ 0.09</u>	<u>\$ 0.05</u>



**VITAL FARMS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in thousands, except share and per share amounts)  
(Unaudited)

For the fiscal quarters ended March 31, 2019 and March 29, 2020, options to purchase 1,097,883 shares of common stock and 658,862 shares of common stock, respectively, were excluded from the computation of diluted net income per share attributable to Vital Farms Inc. common stockholders because including them would have been antidilutive.

*Unaudited Pro Forma Net Income Per Share*

The Company's unaudited pro forma basic and diluted net income per share attributable to Vital Farms, Inc. common stockholders' for the fiscal quarter ended March 29, 2020 has been prepared to give effect to the automatic conversion of the Preferred Stock into shares of common stock as if the qualified IPO had occurred on December 31, 2018:

	<b>Fiscal Quarter Ended March 29, 2020</b>
<b>Numerator:</b>	
Net income attributable to Vital Farms, Inc. stockholders - basic and diluted	\$ 1,945
Unaudited pro forma net loss attributable to Vital Farms, Inc. stockholders —basic and diluted	\$ 1,945
<b>Denominator:</b>	
Weighted average common shares outstanding— basic	25,942,277
Pro forma adjustment to reflect automatic conversion of redeemable convertible preferred stock as converted to common stock	8,192,876
Unaudited pro forma weighted average common shares outstanding — basic	34,135,153
Add: Weighted-average effect of potentially dilutive securities:	
Effect of potentially dilutive stock options	2,813,139
Effect of potentially dilutive common stock warrants	170,192
Unaudited pro forma weighted average common shares outstanding — diluted	37,118,484
Unaudited pro forma net income per share attributable to Vital Farms, Inc. stockholders	
Basic	\$ 0.06
Diluted	\$ 0.05

**15. Commitments and Contingencies**

**Operating Leases:** As of March 29, 2020, the Company was leasing 9,082 square feet of office space and parking spaces in Austin, Texas. The lease expires in April 2026. The Company has the option to extend the lease agreement for successive periods of up to five years. The monthly lease payments, which include base rent charges of \$19, are subject to periodic rent increases through April 2026.

**VITAL FARMS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in thousands, except share and per share amounts)**  
**(Unaudited)**

As of March 29, 2020, the Company was leasing warehouse space in Webb City, Missouri for 5,000 rentable pallet spaces. The Company has the option to exceed the 5,000 pallet spaces through December 31, 2021, the amended lease expiration date. The monthly lease payments include base rent charges of \$55.

The Company recognizes rent expense on a straight-line basis over the respective lease period and has recorded deferred rent for rent expense incurred but not yet paid. During the fiscal quarters ended March 31, 2019 and March 29, 2020, the Company recognized rent expense, including associated common area maintenance charges, of \$79 and \$115, respectively.

As of March 29, 2020, future minimum lease payments under noncancelable operating leases are as follows:

2020 (remaining thirty nine weeks)	\$ 740
2021	962
2022	311
2023	320
2024	329
Thereafter	454
Total	<u>\$3,116</u>

**Supplier Contracts:** The Company purchases its egg inventories under long-term supply contracts with farms. Purchase commitments contained in these arrangements are variable dependent upon the quantity of eggs produced by the farms. Accordingly, there are no estimable future purchase commitments associated with these supplier contracts. In addition, substantially all of the Company's long-term supply contracts with farms contain components that meet the definition of embedded leases within the scope of Topic 840, *Leases*. These arrangements convey to the Company the right to control implicitly identified property, plant and equipment as it takes substantially all of the utility generated by these assets over the term of the arrangements at a variable price. As total purchase commitments contained in these arrangements are variable, the amounts attributable to the lease components are contingent rentals; there are no minimum lease payments associated with these long-term supply contracts. As the classification and timing of recognition of costs attributable to the eggs and embedded cost of the lease rentals are identical, the Company does not allocate the total purchase cost of eggs between the cost of the eggs and the embedded cost of the lease rentals or distinguish between them in its accounting records. The Company records the total purchase costs of eggs, which includes costs associated with the eggs and the corresponding costs of embedded lease rentals from the same arrangement, into inventory. These costs are expensed to cost of goods sold when the associated eggs are sold to customers. During the fiscal quarters ended March 31, 2019 and March 29, 2020, the Company recognized total costs associated with its long-term supply contracts with farms of \$11,684 and \$20,065, respectively, in cost of goods sold in the unaudited condensed consolidated statements of operations.

**Indemnification Agreements:** In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and its executive officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. As of March 29, 2020, the Company has not incurred any material costs as a result of such indemnifications.

**VITAL FARMS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in thousands, except share and per share amounts)**  
**(Unaudited)**

**Litigation:** The Company is subject to various claims and contingencies which are in the scope of ordinary and routine litigation incidental to its business, including those related to regulation, litigation, business transactions, employee-related matters and taxes, among others. When the Company becomes aware of a claim or potential claim, the likelihood of any loss or exposure is assessed. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, the Company records a liability for the loss. The liability recorded includes probable and estimable legal costs incurred to date and future legal costs to the point in the legal matter where the Company believes a conclusion to the matter will be reached. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the Company discloses the claim if the likelihood of a potential loss is reasonably possible.

In January 2019, Ovabrite Inc. (“Ovabrite”) settled claims made pursuant to a lawsuit in which Ovabrite was the defendant and a countersuit in which Ovabrite was the plaintiff and recorded a related gain of \$1,200, which is included in other income in the unaudited condensed consolidated statements of operations.

**16. Related Party Transactions**

**Guarantor Warrant:** The Company’s executive chairman and former Chief Executive Officer (the “Guarantor”) guaranteed the Company’s obligations under a line of credit agreement that was entered into in 2015 and that matured and was repaid in full in 2017. The Company issued a warrant to purchase 196,800 shares of the Company’s common stock at an exercise price of \$1.43 to the Guarantor in exchange for his guaranty. See Note 11, “Common Stock and Common Stock Warrants.” As of March 29, 2020, the warrant has not yet been exercised. The warrant expires on the earlier of June 12, 2020 or the completion of the IPO.

**Ovabrite, Inc.:** Ovabrite is a related party because its founders are stockholders of the Company, with the majority stockholder in Ovabrite also serving as the Company’s executive chairman and member of the Company’s board of directors. Since Ovabrite’s incorporation in November 2016, the Company is deemed to have had a variable interest in Ovabrite, and Ovabrite is deemed to have been a VIE, of which the Company is the primary beneficiary. Accordingly, the Company has consolidated the results of Ovabrite since November 2016. All significant intercompany transactions between the Company and Ovabrite have been eliminated in consolidation.

**Note Receivable from Related Parties:** In February 2019, the Company issued promissory notes in the aggregate amount of \$4,000 to its founder and to a former member of the board of directors that is currently a board observer, who are also stockholders of the Company. The promissory notes bear monthly interest at LIBOR plus 2.0% and mature on the earlier of August 7, 2022 or the date of closing of a liquidity transaction which is defined as a merger, consolidation or sale of the Company’s assets or such time as the notes would be prohibited by the Sarbanes-Oxley Act (“Promissory Note Maturity Date”). All unpaid principal and accrued and unpaid interest are due on the Promissory Note Maturity Date. The borrower may prepay all or any portion of the promissory note at any time without premium or penalty. In November 2019, \$3,200 of the promissory notes were repaid.

As March 29, 2020, the Company recorded \$36 of interest receivable in the unaudited condensed consolidated balance sheets. During the fiscal quarters ended March 31, 2019 and March 29, 2020, the Company did not receive any principal payments in connection with the promissory notes. During the fiscal quarters ended March 31, 2019 and March 29, 2020, the Company recorded interest income of \$23 and \$5, respectively, in connection with the promissory notes.

**Manna Tree Partners:** In March 2019, the Company issued and sold an aggregate of 1,407,506 shares of common stock at a purchase price of \$5.3286 per share, for an aggregate purchase price of \$7,500, to entities

**VITAL FARMS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in thousands, except share and per share amounts)**  
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associated with Manna Tree Partners. The co-founder and chief operating officer of Manna Tree Partners is a member of the Company's board of directors.

**Sandpebble Builders Preconstruction, Inc.** The Company utilizes Sandpebble Builders Preconstruction, Inc. (Sandpebble) for project management and related services associated with the construction and expansion of Egg Central Station. The owner and principal of Sandpebble is the father of an executive of the Company. During the fiscal quarters ended March 31, 2019 and March 29, 2020, the Company paid Sandpebble \$97 and \$223, respectively.

**17. 401(K) Savings Plan**

The Company established a defined contribution savings plan under Section 401(k) of the Internal Revenue Code of 1986, as amended. This plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. The Company's contributions to the plan may be made at the discretion of management. During the fiscal quarters ended March 31, 2019 and March 29, 2020, the Company made contributions of approximately \$58 and \$89, respectively, to the plan.

**18. Subsequent Events**

Management has evaluated all subsequent events through May 29, 2020, the date these unaudited condensed consolidated financial statements were available for issuance, and only with respect to the forward stock split described below, through July 22, 2020.

In April 2020, the Company received loan proceeds of approximately \$2,593 under the Paycheck Protection Program ("PPP") (the "PPP Loan"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The Company elected not to use any of the PPP Loan proceeds of \$2,593 and repaid the entire balance of the PPP Loan in April 2020.

In April 2020, the Company paid all amounts outstanding under the Revolving Line of Credit using cash provided by operations.

In May 2020, the Company entered into the Fifth Amendment to the Credit Facility ("Fifth Amendment Loan") which amended or waived certain terms and conditions under the Credit Facility. In addition, the Fifth Amendment Loan increased the maximum borrowing capacity of the Credit Facility to \$22,700. The Fifth Amendment Loan also increased the maximum borrowing capacity under the Revolving Line of Credit to \$15,000.

In July 2020, the board of directors and the stockholders of the Company approved a 2.46-for-1 forward stock split of the Company's outstanding common stock and Preferred Stock, which was effected on July 22, 2020. Stockholders entitled to fractional shares as a result of the forward stock split will receive a cash payment in lieu of receiving fractional shares. All common stock, Preferred Stock, and per share information has been retroactively adjusted to give effect to this forward stock split for all periods presented. Shares of common stock underlying outstanding stock options and other equity instruments were proportionately increased and the respective per share value and exercise prices, if applicable, were proportionately decreased in accordance with the terms of the agreements governing such securities. There were no changes in the par values of the Company's common stock and Preferred Stock as a result of the forward stock split.

**7,812,500 Shares**

**Common Stock**

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**Goldman Sachs & Co. LLC**

**Morgan Stanley**

**Credit Suisse**

**Jefferies**

**BMO Capital Markets**

**Stifel**

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**PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****Item 13. Other Expenses of Issuance and Distribution.**

The following table sets forth all expenses to be paid by us, other than underwriting discounts and commissions, in connection with this offering. All amounts shown are estimates except for the Securities and Exchange Commission, or SEC, registration fee, the Financial Industry Regulatory Authority, Inc., or FINRA, filing fee and the exchange listing fee.

SEC registration fee	\$ 19,825
FINRA filing fee	23,500
Nasdaq listing fee	125,000
Printing and engraving expenses	300,000
Legal and other advisory fees and expenses	1,712,000
Accounting fees and expenses	1,042,000
Miscellaneous	428,675
Total	<u>\$ 3,651,000</u>

**Item 14. Indemnification of Directors and Officers.**

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities, including reimbursement for expenses incurred, arising under the Securities Act of 1933, as amended or the Securities Act. Our amended and restated certificate of incorporation that will be in effect on the completion of this offering permits indemnification of our directors, officers, employees and other agents to the maximum extent permitted by the Delaware General Corporation Law, and our amended and restated bylaws that will be in effect on the completion of this offering provide that we will indemnify our directors and officers and permit us to indemnify our employees and other agents, in each case to the maximum extent permitted by the Delaware General Corporation Law.

We have entered into indemnification agreements with our directors and officers, whereby we have agreed to indemnify our directors and officers to the fullest extent permitted by law, including indemnification against expenses and liabilities incurred in legal proceedings to which the director or officer was, or is threatened to be made, a party by reason of the fact that such director or officer is or was a director, officer, employee or agent of Vital Farms, Inc., provided that such director or officer acted in good faith and in a manner that the director or officer reasonably believed to be in, or not opposed to, the best interest of Vital Farms, Inc. At present, there is no pending litigation or proceeding involving a director or officer of Vital Farms, Inc. regarding which indemnification is sought, nor is the registrant aware of any threatened litigation that may result in claims for indemnification.

We maintain insurance policies that indemnify our directors and officers against various liabilities arising under the Securities Act and the Securities Exchange Act of 1934, as amended, that might be incurred by any director or officer in his capacity as such.

The underwriters are obligated, under certain circumstances, under the underwriting agreement to be filed as Exhibit 1.1 hereto, to indemnify us and our officers and directors against liabilities under the Securities Act.

**Item 15. Recent Sales of Unregistered Securities.**

The following sets forth information regarding all unregistered securities sold since January 1, 2017:

- (1) We have granted under our 2013 Plan options to purchase an aggregate of 3,149,858 shares of our common stock to a total of 51 employees, consultants and directors, having exercise prices ranging from \$3.4146 to \$16.2154 per share. 246,848 of the options granted under the 2013 Plan have been exercised at a weighted-average exercise price of \$1.8747 per share.
- (2) In August 2017, we issued and sold an aggregate of 3,000,392 shares of our Series D convertible preferred stock to two accredited investors at a price per share of \$3.7013 for an aggregate purchase price of \$11,105,479.
- (3) In March and April 2019, we issued and sold an aggregate of 2,815,012 shares of our common stock to one accredited investor at a purchase price of \$5.3286 per share, for an aggregate purchase price of \$15.0 million.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. Unless otherwise specified above, we believe these transactions were exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act, Regulation D or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or under benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed on the share certificates issued in these transactions. All recipients had adequate access, through their relationships with us, to information about us. The sales of these securities were made without any general solicitation or advertising.

**Item 16. Exhibits and Financial Statement Schedules.**

(a) Exhibits.

The following exhibits are included herein or incorporated herein by reference:

<u>Exhibit Number</u>	<u>Description</u>
1.1	<a href="#">Form of Underwriting Agreement.</a>
3.1	<a href="#">Fifth Amended and Restated Certificate of Incorporation of Registrant, as amended, as currently in effect.</a>
3.2	<a href="#">Form of Amended and Restated Certificate of Incorporation of Registrant, to be in effect on the completion of the offering.</a>
3.3†	<a href="#">Amended and Restated Bylaws of Registrant, as currently in effect.</a>
3.4†	<a href="#">Form of Amended and Restated Bylaws of Registrant, to be in effect on the completion of the offering.</a>
4.1	<a href="#">Form of Common Stock Certificate.</a>
5.1	<a href="#">Opinion of Cooley LLP.</a>
10.1†	<a href="#">Ninth Amended and Restated Stockholders Agreement, effective July 6, 2020.</a>
10.2+†	<a href="#">2013 Incentive Plan.</a>
10.3+†	<a href="#">Forms of Grant Notice, Stock Option Agreement and Stock Purchase Agreement under the 2013 Incentive Plan.</a>
10.4+†	<a href="#">2020 Equity Incentive Plan.</a>
10.5+†	<a href="#">Forms of Grant Notice, Stock Option Agreement and Notice of Exercise under the 2020 Equity Incentive Plan.</a>
10.6+†	<a href="#">Forms of Employee Restricted Stock Unit Grant Notice and Award Agreement under the 2020 Equity Incentive Plan.</a>
10.7+†	<a href="#">Forms of Non-Employee Director Restricted Stock Unit Grant Notice and Award Agreement under the 2020 Equity Incentive Plan.</a>
10.8+†	<a href="#">2020 Employee Stock Purchase Plan.</a>
10.9+†	<a href="#">Form of Indemnity Agreement, by and between the Registrant and each director and executive officer.</a>

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<u>Exhibit Number</u>	<u>Description</u>
10.10+†	<a href="#"><u>Non-Employee Director Compensation Policy.</u></a>
10.11+†	<a href="#"><u>Amended and Restated Employment Agreement between the Registrant and Russell Diez-Canseco, dated as of July 9, 2020.</u></a>
10.12+†	<a href="#"><u>Amended and Restated Offer Letter between the Registrant and Jason Dale, dated as of July 9, 2020.</u></a>
10.13+†	<a href="#"><u>Amended and Restated Offer Letter between the Registrant and Scott Marcus, dated as of July 7, 2020.</u></a>
10.14+†	<a href="#"><u>Offer Letter between the Registrant and Daniel Jones, dated as of January 28, 2020.</u></a>
10.15†	<a href="#"><u>Revolving Credit, Term Loan and Security Agreement, by and between the Registrant, the Borrowers party thereto, the Lenders party thereto and PNC Bank, National Association (as Lender and as Agent), dated October 4, 2017.</u></a>
10.16†	<a href="#"><u>First Amendment to Revolving Credit, Term Loan and Security Agreement, by and between the Registrant, the Borrowers party thereto, the Lenders party thereto and PNC Bank, National Association (as Lender and as Agent), dated April 13, 2018.</u></a>
10.17†	<a href="#"><u>Second Amendment to Revolving Credit, Term Loan and Security Agreement, by and between the Registrant, the Borrowers party thereto, the Lenders party thereto and PNC Bank, National Association (as Lender and as Agent), dated April 28, 2018.</u></a>
10.18†	<a href="#"><u>Third Amendment to Revolving Credit, Term Loan and Security Agreement, by and between the Registrant, the Borrowers party thereto, the Lenders party thereto and PNC Bank, National Association (as Lender and as Agent), dated February 7, 2019.</u></a>
10.19†	<a href="#"><u>Fourth Amendment to Revolving Credit, Term Loan and Security Agreement, by and between the Registrant, the Borrowers party thereto, the Lenders party thereto and PNC Bank, National Association (as Lender and as Agent), dated February 24, 2020.</u></a>
10.20†	<a href="#"><u>Fifth Amendment to Revolving Credit, Term Loan and Security Agreement, by and between the Registrant, the Borrowers party thereto, the Lenders party thereto and PNC Bank, National Association (as Lender and as Agent), dated May 11, 2020.</u></a>
10.21†	<a href="#"><u>Amended and Restated Revolving Credit Note executed and delivered by the Registrant and the Borrowers party thereto, dated May 11, 2020.</u></a>
10.22†	<a href="#"><u>Sixth Amendment to Revolving Credit, Term Loan and Security Agreement, by and between the Registrant, the Borrowers party thereto, the Lenders party thereto and PNC Bank, National Association (as Lender and as Agent), dated June 18, 2020.</u></a>
10.23†	<a href="#"><u>Amended and Restated Term Loan Note executed and delivered by the Registrant and the Borrowers party thereto, dated June 18, 2020.</u></a>
10.24†	<a href="#"><u>Seventh Amendment to Revolving Credit, Term Loan and Security Agreement, by and between the Registrant, the Borrowers party thereto, the Lenders party thereto and PNC Bank, National Association (as Lender and as Agent), dated July 8, 2020.</u></a>
16.1†	<a href="#"><u>Letter from RSM US LLP to the Securities and Exchange Commission, dated April 6, 2020.</u></a>
21.1†	<a href="#"><u>List of Subsidiaries of Registrant.</u></a>
23.1	<a href="#"><u>Consent of KPMG LLP, independent registered public accounting firm.</u></a>
23.2	<a href="#"><u>Consent of Cooley LLP (included in Exhibit 5.1).</u></a>
24.1†	<a href="#"><u>Power of Attorney (included on signature page to this registration statement).</u></a>

† Previously submitted.

+ Indicates management contract or compensatory plan.

### (b) Financial Statement Schedules.

All financial statement schedules are omitted because the information required to be set forth therein is not applicable or is shown in the consolidated financial statements or the notes thereto.



**Item 17. Undertakings.**

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant under the foregoing provisions or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance on Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1) or (4) or 497(h) under the Securities Act will be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus will be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time will be deemed to be the initial bona fide offering thereof.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 1 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Austin, Texas, on July 24, 2020.

**VITAL FARMS, INC.**

By: /s/ Russell Diez-Canseco  
Name: Russell Diez-Canseco  
Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the registration statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Russell Diez-Canseco</u> Russell Diez-Canseco	President, Chief Executive Officer and Director (Principal Executive Officer)	July 24, 2020
<u>/s/ Jason Dale</u> Jason Dale	Chief Operating Officer and Chief Financial Officer (Principal Financial and Accounting Officer)	July 24, 2020
<u>*</u> Matthew O'Hayer	Executive Chairman and Director	July 24, 2020
<u>*</u> Brent Drever	Director	July 24, 2020
<u>*</u> Glenda Flanagan	Director	July 24, 2020
<u>*</u> Kelly Kennedy	Director	July 24, 2020
<u>*</u> Karl Khoury	Director	July 24, 2020
<u>*</u> Denny Marie Post	Director	July 24, 2020
<u>*</u> Gisel Ruiz	Director	July 24, 2020

\*By: /s/ Jason Dale  
Attorney-in-Fact

Vital Farms, Inc.

Common Stock, Par Value \$0.0001 per Share

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Underwriting Agreement

[●], 2020

Goldman Sachs &amp; Co. LLC

Morgan Stanley &amp; Co. LLC

As representatives (the "Representatives") of the several Underwriters  
named in Schedule I hereto

c/o Goldman Sachs &amp; Co. LLC

200 West Street,

New York, New York 10282

and

c/o Morgan Stanley &amp; Co. LLC

1585 Broadway

New York, New York 10036

Ladies and Gentlemen:

Vital Farms, Inc., a public benefit corporation organized under the laws of Delaware (the "Company"), proposes, subject to the terms and conditions stated in this agreement (this "Agreement"), to issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of [●] shares of common stock, par value \$0.0001 per share, of the Company ("Stock"), and the stockholders of the Company named in Schedule II hereto (the "Selling Stockholders") propose, subject to the terms and conditions stated in this Agreement, to sell to the Underwriters an aggregate of [●] shares of Stock and, at the election of the Underwriters, up to [●] additional shares of Stock. The aggregate of [●] shares of Stock to be sold by the Company and the Selling Stockholders is herein called the "Firm Shares" and the aggregate of [●] additional shares of Stock to be sold by the Selling Stockholders is herein called the "Optional Shares." The Firm Shares and the Optional Shares that the Underwriters elect to purchase pursuant to Section 2 hereof are herein collectively called the "Shares."

Morgan Stanley & Co. LLC ("Morgan Stanley") has agreed to reserve a portion of the Shares to be purchased by it under this Agreement for sale to certain individuals, including the Company's directors, employees and certain friends and family of the Company identified by the Company's directors and management (collectively, "Participants"), as set forth in each of the Pricing Prospectus and the Prospectus (as defined in Section 1(a)(i) hereof) under the heading "Underwriting" (the "Directed Share Program"). The Shares to be sold by Morgan Stanley and its affiliates pursuant to the Directed Share Program, at the direction of the Company, are referred to hereinafter as the "Directed Shares." Any Directed Shares not orally confirmed for purchase by any Participant by the end of the business day on which this Agreement is executed will be offered to the public by the Underwriters as set forth in

the Prospectus. The Company agrees and confirms that references to “affiliates” of Morgan Stanley that appear in this Agreement shall be understood to include Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

1. (a) The Company represents and warrants to, and agrees with, each of the Underwriters that:

(i) A registration statement on Form S-1 (File No. 333-239772) (the “Initial Registration Statement”) in respect of the Shares has been filed with the Securities and Exchange Commission (the “Commission”); the Initial Registration Statement and any post-effective amendment thereto, each in the form heretofore delivered to you, have been declared effective by the Commission in such form; other than a registration statement, if any, increasing the size of the offering (a “Rule 462(b) Registration Statement”), filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the “Act”), which became effective upon filing, no other document with respect to the Initial Registration Statement has been filed with the Commission; and no stop order suspending the effectiveness of the Initial Registration Statement, any post-effective amendment thereto or the Rule 462(b) Registration Statement, if any, has been issued and no proceeding for that purpose or pursuant to Section 8A of the Act has been initiated or, to the Company’s knowledge, threatened by the Commission (any preliminary prospectus included in the Initial Registration Statement or filed with the Commission pursuant to Rule 424(a) under the Act is herein called a “Preliminary Prospectus”; the various parts of the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, including all exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof and deemed by virtue of Rule 430A under the Act to be part of the Initial Registration Statement at the time it was declared effective, each as amended at the time such part of the Initial Registration Statement became effective or such part of the Rule 462(b) Registration Statement, if any, became or hereafter becomes effective, are herein collectively called the “Registration Statement”; the Preliminary Prospectus relating to the Shares that was included in the Registration Statement immediately prior to the Applicable Time (as defined in Section 1(a)(iii) hereof) is herein called the “Pricing Prospectus”; such final prospectus, in the form first filed pursuant to Rule 424(b) under the Act, is herein called the “Prospectus”; any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the Act or Rule 163B under the Act is herein called a “Testing-the-Waters Communication”; and any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Act is herein called a “Written Testing-the-Waters Communication”; and any “issuer free writing prospectus” as defined in Rule 433 under the Act relating to the Shares is herein called an “Issuer Free Writing Prospectus”);

(ii) (A) No order preventing or suspending the use of any Preliminary Prospectus or any Issuer Free Writing Prospectus has been issued by the Commission, and (B) each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder, and did 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, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information (as defined in Section 9(c) of this Agreement);

(iii) For the purposes of this Agreement, the “Applicable Time” is [●], New York time, on the date of this Agreement; the Pricing Prospectus, as supplemented by the information listed in Schedule III(c) hereto, taken together (collectively, the “Pricing Disclosure Package”), as of the Applicable Time, did not, and as of each Time of Delivery (as defined in Section 4(a) of this Agreement), will not, include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and each Issuer Free Writing Prospectus and each Written Testing-the-Waters Communication does not conflict with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus, and each Issuer Free Writing Prospectus and each Written Testing-the-Waters Communication, as supplemented by and taken together with the Pricing Disclosure Package, as of the Applicable Time, did not, and as of each Time of Delivery, will not, include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(iv) No documents were filed with the Commission since the Commission’s close of business on the business day immediately prior to the date of this Agreement and prior to the execution of this Agreement, except as set forth in Schedule III(b) hereto;

(v) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus will conform, in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to each part of the Registration Statement, as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, and as of each Time of Delivery, 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; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(vi) Neither the Company nor any of its subsidiaries has, since the date of the latest audited financial statements included in the Pricing Prospectus, (i) sustained any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree or (ii) entered into any transaction or agreement (whether or not in the ordinary course of business) that is material to the Company and its subsidiaries, taken as a whole, or incurred any liability or obligation, direct or contingent, that is material to the Company and its subsidiaries, taken as a whole, in each case otherwise than as set forth or contemplated in the Pricing Prospectus; and, since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, there has not been (x) any change in the capital stock (other than as a result of (i) the exercise, if any, of stock options or the award, if any, of stock options, restricted stock or other awards in the ordinary course of business pursuant to the Company’s equity plans that are described in the Pricing Prospectus and the Prospectus or (ii) the issuance, if any, of stock upon conversion of the Company’s securities as described in the Pricing Prospectus and the Prospectus) or long-term debt of the Company or any of its subsidiaries or (y) any Material Adverse Effect (as defined below). As used in this Agreement, “Material Adverse Effect” shall mean any material adverse change or effect, or any development

involving a prospective material adverse change or effect, in or affecting (i) the business, properties, general affairs, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, taken as a whole, except as set forth or contemplated in the Pricing Prospectus, or (ii) the ability of the Company to perform its obligations under this Agreement, including the issuance and sale of the Shares, or to consummate the transactions contemplated in the Pricing Prospectus and the Prospectus;

(vii) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them that is material to their business, in each case free and clear of all liens, encumbrances and defects except such as are described in the Pricing Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not materially interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries;

(viii) Each of the Company and each of its subsidiaries has been (i) duly organized and is validly existing and in good standing under the laws of its jurisdiction of organization, with power and authority (corporate and other) to own its properties and conduct its business as described in the Pricing Prospectus, and (ii) duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except, in the case of this clause (ii), where the failure to be so qualified or in good standing would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect; and each significant subsidiary (as such term is defined in Rule 1-02 of Regulation S-X promulgated under the Act) of the Company has been listed in the Registration Statement;

(ix) The Company has an authorized capitalization as set forth in the Pricing Prospectus and all of the issued shares of capital stock of the Company, including the Shares to be sold by the Selling Stockholders, have been duly and validly authorized and issued, are fully paid and non-assessable and conform in all material respects to the description of the Stock contained in the Pricing Disclosure Package and the Prospectus; and all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and (except, in the case of any foreign subsidiary, for directors' qualifying shares) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims, except for such liens or encumbrances described in the Pricing Prospectus and the Prospectus;

(x) The Shares to be issued and sold by the Company have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued and fully paid and non-assessable and will conform in all material respects to the description of the Stock contained in the Pricing Disclosure Package and the Prospectus; and the issuance of the Shares is not subject to any preemptive or similar rights except for such rights of first refusal and co-sale and related rights to notice as are disclosed in the Registration Statement, the Pricing Prospectus or the Prospectus and as have been validly waived or complied with;

(xi) The issue and sale of the Shares to be sold by the Company and the compliance by the Company with this Agreement and the consummation of the transactions contemplated in this Agreement and the Pricing Prospectus will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, (A) any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, except, in the case of this clause (A), for such defaults, breaches or violations that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (B) the certificate of incorporation or by-laws (or other applicable organizational document) of the Company or any of its subsidiaries, or (C) any statute or any judgment, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue of the Shares to be sold by the Company and the sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement, except such as have been obtained under the Act, the approval by the Financial Industry Regulatory Authority (“FINRA”) of the underwriting terms and arrangements and such consents, approvals, authorizations, orders, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters;

(xii) Neither the Company nor any of its subsidiaries is (i) in violation of its certificate of incorporation or by-laws (or other applicable organizational document), (ii) in violation of any statute or any judgment, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, or (iii) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, except, in the case of the foregoing clauses (ii) and (iii), for such violations or defaults as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(xiii) The statements set forth in the Pricing Prospectus and the Prospectus under the caption “Description of Capital Stock,” insofar as they purport to constitute a summary of the terms of the Stock, and under the captions “Material U.S. Federal Income Tax Consequences to Non-U.S. Holders” and “Underwriting” (other than the Underwriter Information), insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate, complete and fair in all material respects;

(xiv) Other than as set forth in the Pricing Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries or, to the Company’s knowledge, any officer or director of the Company is a party or of which any property or assets of the Company or any of its subsidiaries or, to the Company’s knowledge, any officer or director of the Company is the subject which, if determined adversely to the Company or any of its subsidiaries (or such officer or director), would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or which are required to be described in the Registration Statement and Prospectus and are not so described; and, to the Company’s knowledge, no such proceedings are threatened or contemplated by governmental authorities or others;

(xv) The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof, will not be an “investment company,” as such term is defined in the Investment Company Act of 1940, as amended;

(xvi) At the time of filing the Initial Registration Statement and any post-effective amendment thereto, at the earliest time thereafter that the Company or any offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) under the Act) of the Shares, and at the date of this Agreement, the Company was not and is not an “ineligible issuer,” as defined in Rule 405 under the Act;

(xvii) KPMG LLP, which has certified certain consolidated financial statements of the Company and its subsidiaries, is an independent registered public accounting firm as required by the Act and the rules and regulations of the Commission thereunder;

(xviii) The Company maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that (i) complies with the requirements of the Exchange Act, (ii) has been designed by the Company’s principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles (“GAAP”) and (iii) is sufficient to provide reasonable assurance that (A) transactions are executed in accordance with management’s general or specific authorization, (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets, (C) access to assets is permitted only in accordance with management’s general or specific authorization and (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences (it being understood that this subsection shall not require the Company to comply with Section 404 of the Sarbanes-Oxley Act of 2002, as amended (the “Sarbanes Oxley Act”), as of an earlier date than it would otherwise be required to so comply under applicable law). Except as disclosed in the Pricing Prospectus and the Prospectus, the Company’s internal control over financial reporting is effective and the Company is not aware of any material weaknesses in its internal control over financial reporting;

(xix) Since the date of the latest audited consolidated financial statements included in the Pricing Prospectus, there has been no change in the Company’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting;

(xx) The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) that are designed to comply with the requirements of the Exchange Act; such disclosure controls and procedures have been designed to ensure that material information relating to the Company and its subsidiaries is made known to the Company’s principal executive officer and principal financial officer by others within those entities; and such disclosure controls and procedures are effective;

(xxi) This Agreement has been duly authorized, executed and delivered by the Company;

(xxii) (A) None of the Company or any of its subsidiaries or affiliates, or any director, officer or employee thereof, nor, to the knowledge of the Company, any agent or other person associated with or acting on behalf of the Company or any of its subsidiaries or affiliates has (i)



made, offered, promised or authorized any unlawful contribution, gift, entertainment or other unlawful expense (or taken any act in furtherance thereof), (ii) made, offered, promised or authorized any direct or indirect unlawful payment or (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, the Bribery Act 2010 of the United Kingdom or any other applicable anti-bribery or anti-corruption laws; (B) the Company and its subsidiaries and affiliates have conducted their businesses in compliance with applicable anti-bribery and anti-corruption laws and have instituted and maintained, and will continue to maintain, policies and procedures reasonably designed to promote and achieve compliance with such laws; and (C) neither the Company nor its subsidiaries will use, directly or indirectly, the proceeds of the offering of the Shares hereunder in furtherance of any unlawful expense or any direct or indirect unlawful payment or in violation of any applicable anti-bribery or anti-corruption laws;

(xxiii) The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with the requirements of applicable anti-money laundering laws, including, but not limited to, the Bank Secrecy Act of 1970, as amended by the USA PATRIOT ACT of 2001, and the rules and regulations promulgated thereunder, and any similar rules, regulations or guidelines issued, administered or enforced by any governmental agency, of the various jurisdictions in which the Company and its subsidiaries conduct business (collectively, the “Money Laundering Laws”) and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened;

(xxiv) (A) None of the Company or any of its subsidiaries, or any director, officer or employee thereof, nor, to the knowledge of the Company, any agent, or affiliate of the Company or any of its subsidiaries is a person or entity that is, or is owned or controlled by one or more persons or entities that are, currently the subject or the target of any sanctions administered or enforced by the U.S. Government, including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury (“OFAC”), or the U.S. Department of State and including, without limitation, the designation as a “specially designated national” or “blocked person,” the European Union, Her Majesty’s Treasury, the United Nations Security Council, or other relevant sanctions authority (collectively, “Sanctions”), or located, organized, or resident in a country or territory that is the subject or target of Sanctions; (B) the Company will not directly or indirectly use the proceeds of the offering of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person or entity, or in any country or territory, that, at the time of such funding or facilitation, is the subject or the target of Sanctions or (ii) in any other manner that will result in a violation by any person or entity (including any person or entity participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions; and (C) the Company and its subsidiaries have not during the past five years knowingly engaged in, are not now knowingly engaged in and will not engage in any dealings or transactions with any person or entity, or in any country or territory, that, at the time of such dealing or transaction, is or was the subject or the target of Sanctions;

(xxv) The consolidated financial statements included in the Registration Statement, the Pricing Prospectus and the Prospectus, together with the related schedules and notes, present fairly in all material respects the financial position of the Company and its subsidiaries at the dates indicated and the statement of operations, stockholders’ equity and cash flows of the Company and its subsidiaries for the periods specified; said financial statements have been

prepared in conformity with GAAP applied on a consistent basis throughout the periods involved. The supporting schedules, if any, present fairly in accordance with GAAP the information required to be stated therein. The selected financial data and the summary financial information included in the Registration Statement, the Pricing Prospectus and the Prospectus present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included therein. Except as included therein, no historical or pro forma financial statements or supporting schedules are required to be included in the Registration Statement, the Pricing Prospectus or the Prospectus under the Act or the rules and regulations promulgated thereunder. All disclosures contained in the Registration Statement, the Pricing Prospectus and the Prospectus regarding “non-GAAP financial measures” (as such term is defined by the rules and regulations of the Commission) comply with Regulation G of the Exchange Act and Item 10 of Regulation S-K of the Act, to the extent applicable;

(xxvi) The Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (“Environmental Laws”), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, individually or in the aggregate, have (or reasonably be expected to have) a Material Adverse Effect;

(xxvii) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(xxviii) There are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement, except as disclosed in the Registration Statement, the Pricing Prospectus or the Prospectus and as have been validly waived or complied with in connection with the issuance and sale of the Shares contemplated hereby;

(xxvix) The Company and its subsidiaries own or possess, or can acquire on reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed by them in connection with the businesses now operated by them, and neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to have a Material Adverse Effect;

(xxx) No material labor dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers or contractors that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(xxxi) (A) The Company and each of its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; (B) neither the Company nor any of its subsidiaries has been refused any insurance coverage sought or applied for; and (C) neither the Company nor any of its subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not, taken as a whole, have a Material Adverse Effect;

(xxxii) The Company and its subsidiaries possess all certificates, authorizations, registrations, licenses, approvals, certifications, consents, exemptions and permits issued by the appropriate federal, state or foreign regulatory authorities (collectively, "Permits") necessary to conduct their respective businesses, except where the failure to possess the same would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company and its subsidiaries are, and for the last three years have been, in compliance in all material respects with all such Permits, and the Company and its subsidiaries have fulfilled and performed all of their material obligations with respect to such Permits. All renewals of, applications for renewal of or other filings required to have been made with respect to all such Permits have been timely made and filed, except where the failure to timely make or file would not reasonably be expected to have a Material Adverse Effect. No event has occurred which allows, or after notice or lapse of time would allow, revocation or termination of any such Permit, or results in any other material impairment of the rights of the holder of any such Permit, and there is no proceeding, investigation, inquiry, complaint or other action pending or, to the Company's knowledge, threatened, and neither the Company nor any of its subsidiaries has received any notice relating to (A) any actual, possible or potential violation of, or failure to comply with, any term or requirement of any such Permit or (B) any actual, proposed, possible or potential revocation, withdrawal, suspension, cancellation, termination, nonrenewal or modification of any such Permit which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to have a Material Adverse Effect;

(xxxiii) Except as described in the Pricing Prospectus, the Company has not sold, issued or distributed any shares of its Stock during the six-month period preceding the date of this Agreement, including any sales pursuant to Regulation D or S of the Act, other than shares issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans or pursuant to outstanding options, rights or warrants;

(xxxiv) The Company and each of its subsidiaries have filed all federal, state, local and foreign tax returns required to be filed through the date of this Agreement, or have requested extensions thereof, and have paid all taxes required to be paid thereon (except for where the failure to file or pay would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, or except as currently being contested in good faith and for which reserves required by GAAP have been created in the audited consolidated financial statements included in the Pricing Prospectus), and no tax deficiency has been determined adversely to the

Company or any of its subsidiaries that has had (nor does the Company nor any of its subsidiaries have any notice or knowledge of any tax deficiency which could reasonably be expected to be determined adversely to the Company or its subsidiaries and which could reasonably be expected to have) a Material Adverse Effect;

(xxxv) From the time of initial confidential submission of a registration statement relating to the Shares with the Commission through the date of this Agreement, the Company has been and is an “emerging growth company” as defined in Section 2(a)(19) of the Act (an “Emerging Growth Company”);

(xxxvi) The Company’s information technology assets and equipment, computers, systems, networks, hardware, software, websites, applications and databases (collectively, “IT Systems”) are adequate for, and operate and perform in all material respects as required in connection with, the operation of the business of the Company and its subsidiaries as currently conducted, free and clear, to the knowledge of the Company, of all material bugs, errors, defects, Trojan horses, time bombs, malware and other corruptants. The Company has implemented and maintained commercially reasonable controls, policies, procedures and safeguards to maintain and protect its material confidential information and the integrity, continuous operation, redundancy and security of all IT Systems and data (including all personal, personally identifiable, sensitive, confidential or regulated data (“Personal Data”)) used in connection with its business, and, to the knowledge of the Company, there have been no breaches, violations, outages or unauthorized uses of or accesses to the same, except for those that have been remedied without material cost or liability or the duty to notify any other person, and there are no incidents under internal review or investigations relating to the same. The Company and its subsidiaries are presently in compliance with all applicable laws or statutes and all judgments, orders, rules and regulations of any court or arbitrator or governmental or regulatory authority, internal policies and contractual obligations relating to the privacy and security of IT Systems and Personal Data and to the protection of such IT Systems and Personal Data from unauthorized use, access, misappropriation or modification, except where the failure to be in compliance would not reasonably be expected to have a Material Adverse Effect. The Company has taken all necessary actions to prepare to comply with the European Union General Data Protection Regulation, to the extent applicable;

(xxxvii) The statements set forth in the Pricing Prospectus and the Prospectus under the captions “Business—Government Regulation,” “Business—Legal Proceedings,” “Risk Factors—Risks Related to Legal and Government Regulation—Our operations are subject to...,” “Risk Factors—Risks Related to Legal and Government Regulation—Changes in existing laws or regulations...,” “Risk Factors—Risks Related to Legal and Government Regulation—Failure by our network...,” and Risk Factors—Risks Related to Legal and Government Regulation—Litigation or legal proceedings could expose us...,” insofar as they purport to constitute summaries of the terms of the laws, rules, regulations or legal proceedings referred to therein, are accurate, complete and fair in all material respects;

(xxxviii) Nothing has come to the attention of the Company that has caused the Company to believe that the statistical and market-related data included in each of the Registration Statement, the Pricing Prospectus, the Prospectus, each Issuer Free Writing Prospectus and each Section 5(d) Writing, as supplemented by and taken together with the Pricing Disclosure Package, is not based on or derived from sources that are reliable and accurate in all material respects;

(xxxvix) There are no contracts or documents which are required to be described in the Registration Statement, the Pricing Prospectus or the Prospectus or to be filed as exhibits to the Registration Statement under the Act which have not been so described and filed as required;

(xxxx) There is and has been no failure on the part of the Company or any director or officer of the Company, in their capacity as such, to comply with any provision of the Sarbanes-Oxley Act, and the rules and regulations promulgated in connection therewith, applicable to the Company;

(xxxxxi) There are no debt securities or preferred stock issued or guaranteed by the Company that are rated by a “nationally recognized statistical rating organization,” as such term is defined under Section 3(a)(62) under the Exchange Act;

(xxxixii) With respect to the stock options (the “Stock Options”) granted pursuant to the stock-based compensation plans of the Company (the “Company Stock Plans”), (i) each Stock Option intended to qualify as an “incentive stock option” under Section 422 of the Internal Revenue Code of 1986, as amended (the “IRC”), so qualifies, (ii) each grant of a Stock Option was duly authorized no later than the date on which the grant of such Stock Option was by its terms to be effective (the “Grant Date”) by all necessary corporate action, including, as applicable, approval by the board of directors of the Company (or a duly constituted and authorized committee thereof) and any required stockholder approval by the necessary number of votes or written consents, and the award agreement governing such grant (if any) was duly executed and delivered by each party thereto, (iii) each such grant was made in accordance with the terms of the Company Stock Plans and all applicable laws and regulatory rules or requirements, and (iv) each such grant was properly accounted for in accordance with GAAP in the financial statements (including the related notes) of the Company. The Company has not knowingly granted, and there is no and has been no policy or practice of the Company of granting, Stock Options prior to, or otherwise coordinating the grant of Stock Options with, the release or other public announcement of material information regarding the Company or its results of operations or prospects;

(xxxixiii) During the past three years, (A) the Company and its subsidiaries have conducted their businesses in material compliance with all applicable laws, statutes, codes, treaties, decrees, rules, ordinances and regulations and any determination or direction of any arbitrator or any regulatory authorities (collectively, “Laws”) relating to the operation and conduct of their businesses or any of their products, properties or facilities, including, without limitation, all applicable Laws administered or enforced by the U.S. Food and Drug Administration (the “FDA”), the U.S. Department of Agriculture (the “USDA”) or any other regulatory authority regulating the development, cultivation, manufacture, production, import, export, packaging, packing, labeling, handling, storage, transportation, distribution, purchase, sale, advertising or marketing of food, and (B) neither the Company nor any of its subsidiaries has received notice of any violation, alleged violation or potential violation of any such Laws;

(xxxixiv) All applications, notifications, submissions, information, claims, reports and statistics, and other data and conclusions derived therefrom, utilized as the basis for or submitted in connection with any and all requests for a Permit relating to the Company or its subsidiaries, and their respective business and products, when submitted to the regulatory authority were true, complete and correct in all material respects as of the date of submission, and any updates, changes, corrections or modifications to such applications, submissions, information and data required by the applicable regulatory authority have been submitted to such regulatory authority, except where the failure to make such updates, changes, corrections or modifications would not reasonably be expected to have a Material Adverse Effect;

(xxxxv) Within the last three years, neither the Company nor any of its subsidiaries has had any product or manufacturing site subject to a regulatory authority (including the FDA and the USDA) shutdown or import or export prohibition, nor received any material FDA Form 483 or other regulatory authority notice of inspectional observations, “warning letters,” “untitled letters,” or requests or requirements to make changes to any products or operations of the Company or any of its subsidiaries, or similar correspondence or notice from the FDA, the USDA or other regulatory authority in respect of their businesses as now being conducted;

(xxxxvi) Within the last three years, except as disclosed in the Registration Statement, the Pricing Prospectus or the Prospectus, neither the Company nor any of its subsidiaries has conducted or issued any material recall, field notification, field correction, market withdrawal or replacement, warning, investigator notice, safety alert or other notice of action relating to an alleged lack of safety or regulatory compliance of any of the products of the Company or any of its subsidiaries (collectively, “Safety Notices”), or received any material complaints with respect to such products that are currently unresolved. To the Company’s knowledge, there are no facts that would be reasonably likely to result in (A) a material Safety Notice with respect to any of the products of the Company or any of its subsidiaries or (B) a termination or suspension of marketing or testing of any such products;

(xxxxvii) The Registration Statement, the Prospectus, the Pricing Prospectus and any Preliminary Prospectus comply, and any amendments or supplements thereto will comply, with any applicable laws or regulations of foreign jurisdictions in which the Prospectus, the Pricing Prospectus or any Preliminary Prospectus, as amended or supplemented, if applicable, are distributed in connection with the Directed Share Program;

(xxxxviii) No consent, approval, authorization or order of, or qualification with, any governmental body or agency, other than those obtained, is required in connection with the offering of the Directed Shares in any jurisdiction where the Directed Shares are being offered; and

(xxxxix) The Company has not offered, or caused Morgan Stanley or any Morgan Stanley Entity (as defined in Section 10 of this Agreement) to offer, Shares to any person pursuant to the Directed Share Program with the specific intent to unlawfully influence (A) a customer or supplier of the Company to alter the customer’s or supplier’s level or type of business with the Company, or (B) a trade journalist or publication to write or publish favorable information about the Company or its products.

(b) Each of the Selling Stockholders severally and not jointly represents and warrants to, and agrees with, each of the Underwriters and the Company that:

(i) All consents, approvals, authorizations and orders necessary for the execution and delivery by such Selling Stockholder of this Agreement and the Power of Attorney and the Custody Agreement referred to below, and for the sale and delivery of the Shares to be sold by such Selling Stockholder hereunder, have been obtained, except for the registration under the Act of the Shares and such consents, approvals, authorizations and orders as may be required under state securities or Blue Sky laws, the rules and regulations of FINRA or the approval for listing on the Exchange; and such Selling Stockholder has full right, power and authority to enter into this Agreement, the Power-of-Attorney and the Custody Agreement and to sell, assign, transfer and deliver the Shares to be sold by such Selling Stockholder hereunder;

(ii) The sale of the Shares to be sold by such Selling Stockholder hereunder and the compliance by such Selling Stockholder with this Agreement, the Power of Attorney and the Custody Agreement and the consummation of the transactions herein and therein contemplated will not (A) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any statute, indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which such Selling Stockholder is a party or by which such Selling Stockholder is bound or to which any of the property or assets of such Selling Stockholder is subject, (B) result in any violation of (1) the provisions of the certificate of incorporation or by-laws of such Selling Stockholder if such Selling Stockholder is a corporation, the partnership agreement of such Selling Stockholder if such Selling Stockholder is a partnership, the limited liability company agreement of such Selling Stockholder if such Selling Stockholder is a limited liability company (or similar applicable organizational documents) or (2) any statute or any judgment, order, rule or regulation of any court or governmental agency or body having jurisdiction over such Selling Stockholder or any of its subsidiaries or any property or assets of such Selling Stockholder, except, in the case of clauses (A) and (B)(2) above, for any such conflict, breach, violation or default that would not, individually or in the aggregate, affect the validity of the Shares to be sold by such Selling Stockholder or reasonably be expected to materially impair the ability of such Selling Stockholder to consummate the transactions contemplated by this Agreement; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental body or agency is required for the performance by such Selling Stockholder of its obligations under this Agreement, the Power of Attorney and the Custody Agreement and the consummation by such Selling Stockholder of the transactions contemplated by this Agreement, the Power of Attorney and the Custody Agreement in connection with the Shares to be sold by such Selling Stockholder hereunder, except such as have been obtained under the Act, the approval by FINRA of the underwriting terms and arrangements, the approval for listing on the Exchange and such consents, approvals, authorizations, orders, registrations or qualifications (x) as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters, (y) that have already been obtained or (z) such that, if not obtained, would not individually or in the aggregate, affect the validity of the Shares to be sold by such Selling Stockholder or reasonably be expected to materially impair the ability of such Selling Stockholder to consummate the transactions contemplated by this Agreement;

(iii) Such Selling Stockholder has, and immediately prior to each Time of Delivery (as defined in Section 4 hereof) such Selling Stockholder will have, good and valid title to, or a valid "security entitlement" within the meaning of Section 8-501 of the New York Uniform Commercial Code in respect of, the Shares to be sold by such Selling Stockholder hereunder at such Time of Delivery, free and clear of all liens, encumbrances, equities or claims, other than those under the Custody Agreement; and, upon delivery of such Shares and payment therefor pursuant hereto, good and valid title to such Shares, free and clear of all liens, encumbrances, equities or claims, will pass to the several Underwriters;

(iv) On or prior to the date of the Pricing Prospectus, such Selling Stockholder has executed and delivered to the Underwriters an agreement substantially in the form of Annex II hereto;

(v) Such Selling Stockholder has not taken and will not take, directly or indirectly, any action that is designed to or that has constituted or might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(vi) To the extent that any statements or omissions made in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto are made in reliance upon and in conformity with written information furnished to the Company by such Selling Stockholder pursuant to Items 7 and 11(m) of Form S-1 expressly for use therein (it being understood and agreed upon that the only such information furnished by any Selling Stockholder consists of the following information furnished on behalf of such Selling Stockholder: the name, address and the number of shares of Stock owned by such Selling Stockholder before and after the offering contemplated hereby and the other information with respect to such Selling Stockholder (other than percentages) that appears in the table and corresponding footnotes under the caption "Principal and Selling Stockholders" in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto (such information, the "Selling Stockholder Information")), such Registration Statement and Preliminary Prospectus did, and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus will, when they become effective or are filed with the Commission, as the case may be, not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

(vii) In order to document the Underwriters' compliance with the reporting and withholding provisions of the Tax Equity and Fiscal Responsibility Act of 1982 with respect to the transactions herein contemplated, such Selling Stockholder will deliver to you prior to or at the First Time of Delivery (as defined in Section 4 of this Agreement) a properly completed and executed United States Treasury Department Form W-9 (or other applicable form or statement specified by Treasury Department regulations in lieu thereof);

(viii) Certificates in negotiable form or book-entry securities entitlements representing all of the Shares to be sold by such Selling Stockholder hereunder have been placed in custody under a Custody Agreement, in the form heretofore furnished to you (the "Custody Agreement"), duly executed on behalf of such Selling Stockholder and delivered to American Stock Transfer & Trust Company, LLC, as custodian (the "Custodian"), and such Selling Stockholder has duly executed and delivered a Power of Attorney, in the form heretofore furnished to you (the "Power of Attorney"), appointing the persons indicated in Schedule II hereto, and each of them, as such Selling Stockholder's attorneys-in-fact (the "Attorneys-in-Fact") with authority to execute and deliver this Agreement on behalf of such Selling Stockholder, to determine the purchase price to be paid by the Underwriters to the Selling Stockholders as provided in Section 2 hereof, to authorize the delivery of the Shares to be sold by such Selling Stockholder hereunder and otherwise to act on behalf of such Selling Stockholder in connection with the transactions contemplated by this Agreement and the Custody Agreement;

(ix) The Shares held in custody for such Selling Stockholder under the Custody Agreement are subject to the interests of the Underwriters hereunder; the arrangements made by such Selling Stockholder for such custody, and the appointment by such Selling Stockholder of the Attorneys-in-Fact pursuant to the Power of Attorney, are to that extent irrevocable; the obligations of the Selling Stockholders hereunder shall not be terminated by operation of law, whether by the death or incapacity of any individual Selling Stockholder or, in the case of an



estate or trust, by the death or incapacity of any executor or trustee or the termination of such estate or trust, or in the case of a corporation, partnership or limited liability company, by the dissolution of such corporation, partnership or limited liability company, or by the occurrence of any other event; if any individual Selling Stockholder or any such executor or trustee should die or become incapacitated, or if any such estate or trust should be terminated, or if any such corporation, partnership or limited liability company should be dissolved, or if any other such event should occur, before the delivery of the Shares to be sold by such Selling Stockholder hereunder, certificates representing the Shares to be sold by such Selling Stockholder hereunder shall be delivered by or on behalf of the Selling Stockholder in accordance with the terms and conditions of this Agreement and of the Custody Agreement; and actions taken by the Attorneys-in-Fact pursuant to the Power of Attorney shall be as valid as if such death, incapacity, termination, dissolution or other event had not occurred, regardless of whether or not the Custodian, the Attorneys-in-Fact, or any of them, shall have received notice of such death, incapacity, termination, dissolution or other event;

(x) (A) None of such Selling Stockholder, nor, to the knowledge of such Selling Stockholder, any agent or other person associated with or acting on behalf of such Selling Stockholder, has (i) made, offered, promised or authorized any unlawful contribution, gift, entertainment or other unlawful expense (or taken any act in furtherance thereof), (ii) made, offered, promised or authorized any direct or indirect unlawful payment or (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, the Bribery Act 2010 of the United Kingdom or any other applicable anti-bribery or anti-corruption laws; and (B) such Selling Stockholder will not use, directly or indirectly, the proceeds of the offering of the Shares hereunder in furtherance of any unlawful expense or any direct or indirect unlawful payment or in violation of any applicable anti-corruption laws;

(xi) (A) None of such Selling Stockholder, nor, to the knowledge of such Selling Stockholder, any agent or affiliate of such Selling Stockholder, is a person or entity that is, or is owned or controlled by one or more persons or entities that are, currently the subject or the target of Sanctions, or located, organized or resident in a country or territory that is the subject or the target of Sanctions; and (B) such Selling Stockholder will not directly or indirectly use the proceeds of the offering of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, (i) to fund or facilitate any activities of or business with any person or entity, or in any country or territory, that, at the time of such funding or facilitation, is the subject or the target of Sanctions, (ii) in any other manner that will result in a violation by any person or entity (including any person or entity participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions, or (ii) in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, to any person in violation of any Money Laundering Laws;

(xii) Such Selling Stockholder is not prompted by any material information concerning the Company or any of its subsidiaries that is not disclosed in the Pricing Prospectus to sell its Shares pursuant to this Agreement; and

(xiii) If a Selling Stockholder is an entity, such Selling Stockholder has been duly organized and is validly existing and in good standing under the laws of its respective jurisdiction.

2. Subject to the terms and conditions herein set forth, (a) the Company and each of the Selling Stockholders agree, severally and not jointly, to sell to each of the Underwriters, and each of

the Underwriters agrees, severally and not jointly, to purchase from the Company and each of the Selling Stockholders, at a purchase price per share of \$[●], the number of Firm Shares (to be adjusted by the Representatives so as to eliminate fractional shares) determined by multiplying the aggregate number of Firm Shares to be sold by the Company and each of the Selling Stockholders as set forth opposite their respective names in Schedule II hereto by a fraction, the numerator of which is the aggregate number of Firm Shares to be purchased by such Underwriter as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the aggregate number of Firm Shares to be purchased by all of the Underwriters from the Company and all of the Selling Stockholders hereunder and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Selling Stockholders, as and to the extent indicated in Schedule II hereto agree, severally and not jointly, to sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from each of the Selling Stockholders, at the purchase price per share set forth in clause (a) of this Section 2 (provided that the purchase price per Optional Share shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Firm Shares but not payable on the Optional Shares), that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by the Representatives so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction, the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of Optional Shares that all of the Underwriters are entitled to purchase hereunder.

The Selling Stockholders, as and to the extent indicated in Schedule II hereto, hereby grant, severally and not jointly, to the Underwriters the right to purchase at their election up to [●] Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering sales of shares in excess of the number of Firm Shares, provided that the purchase price per Optional Share shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Firm Shares but not payable on the Optional Shares. Any such election to purchase Optional Shares shall be made in proportion to the maximum number of Optional Shares to be sold by all Selling Stockholders as set forth in Schedule II hereto. Any such election to purchase Optional Shares may be exercised only by written notice from you to the Company and the Attorneys-in-Fact, given within a period of 30 calendar days after the date of this Agreement and setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless you and the Company and the Attorneys-in-Fact otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

3. Upon the authorization by you of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Prospectus.

4. (a) The Shares to be purchased by each Underwriter hereunder, in definitive or book-entry form, and in such authorized denominations and registered in such names as the Representatives may request upon at least 48 hours' prior notice to the Company and the Selling Stockholders shall be delivered by or on behalf of the Company and the Selling Stockholders to the Representatives, through the facilities of the Depository Trust Company ("DTC"), for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the accounts specified by the Company and the Custodian to the Representatives at least 48 hours in advance. The Company and the Selling Stockholders will cause the certificates, if any, representing the Shares to be made available for checking and packaging at least 24 hours prior

to the Time of Delivery (as defined below) with respect thereto at the office of DTC or its designated custodian (the “Designated Office”). The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., New York time, on [●], 2020 or such other time and date as the Representatives, the Company and the Attorneys-in-Fact may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York time, on the date specified by the Representatives in each written notice given by the Representatives of the Underwriters’ election to purchase such Optional Shares, or such other time and date as the Representatives, the Company and the Attorneys-in-Fact may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the “First Time of Delivery,” each such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the “Second Time of Delivery,” and each such time and date for delivery is herein called a “Time of Delivery.”

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 8 hereof, including the cross receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 8(m) hereof, will be delivered at the offices of Latham & Watkins LLP, 330 North Wabash Avenue, Suite 2800, Chicago, Illinois 60611 (the “Closing Location”), and the Shares will be delivered at the Designated Office, all at such Time of Delivery. A meeting will be held at the Closing Location at [●] p.m., New York time, on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Section 4, “New York Business Day” shall mean each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by you and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission’s close of business on the second business day following the execution and delivery of this Agreement, or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Act; to make no further amendment or any supplement to the Registration Statement or the Prospectus prior to the last Time of Delivery which shall be disapproved by you promptly after reasonable notice thereof; to advise you, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any amendment or supplement to the Prospectus has been filed and to furnish you with copies thereof; to file promptly all material required to be filed by the Company with the Commission pursuant to Rule 433(d) under the Act; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus in respect of the Shares, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose or pursuant to Section 8A of the Act, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus or suspending any such qualification, to promptly use its best efforts to obtain the withdrawal of such order;

(b) Promptly from time to time to take such action as you may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions as you may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation (where not otherwise required) or to file a general consent to service of process in any jurisdiction (where not otherwise required);

(c) Prior to 10:00 a.m., New York time, on the New York Business Day next succeeding the date of this Agreement (or such later time as may be agreed to by the Company and you) and from time to time, to furnish the Underwriters with written and electronic copies of the Prospectus in New York City in such quantities as you may reasonably request, and, if the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus in order to comply with the Act, to notify you and upon your request to prepare and furnish without charge to each Underwriter and to any dealer in securities as many written and electronic copies as you may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance; and in case any Underwriter is required to deliver a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, upon your request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many written and electronic copies as you may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its securityholders as soon as practicable (which may be satisfied by filing with the Commission's Electronic Data Gathering, Analysis and Retrieval System ("EDGAR")), but in any event not later than 16 months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158);

(e) (i) During the period beginning from the date of this Agreement and continuing to and including the date 180 days after the date of the Prospectus (the "Company Lock-Up Period"), not to (i) offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, or file with or confidentially submit to the Commission a registration statement under the Act relating to, any securities of the Company that are substantially similar to the Shares, including but not limited to any options or warrants to purchase shares of Stock or any securities that are convertible into or exchangeable for, or that represent the right to receive, Stock or any such substantially similar securities, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Stock or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Stock or such other securities, in cash or otherwise, without the prior written consent of Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC, provided, however, that the foregoing restrictions shall not apply to (A) the Shares to be sold hereunder, (B) the issuance by the Company of shares of Stock upon the exercise (including net exercise) of an option or warrant, vesting or settlement of a restricted stock unit, or the exercise, conversion or exchange of a security outstanding on the date hereof, provided that such option, warrant, restricted stock unit or security is disclosed in or contemplated by the Pricing

Prospectus, (C) the grant of options to purchase or the issuance by the Company of Stock or any securities convertible into, exchangeable for or that represent the right to receive shares of Stock, in each case in the ordinary course of business pursuant to the Company's equity-based compensation plans disclosed in the Pricing Prospectus, (D) the entry into an agreement providing for the issuance by the Company of shares of Stock or any security convertible into or exercisable for shares of Stock in connection with the acquisition by the Company or any of its subsidiaries of the securities, business, technology, property or other assets of another person or entity or pursuant to an employee benefit plan assumed by the Company in connection with such acquisition, and the issuance of any such securities pursuant to any such agreement, (E) the entry into any agreement providing for the issuance of shares of Stock or any security convertible into or exercisable for shares of Stock in connection with joint ventures, commercial relationships or other strategic transactions, and the issuance of any such securities pursuant to any such agreement, and (F) the filing of any registration statement on Form S-8 relating to securities granted or to be granted pursuant to the Company's equity incentive plans that are described in the Pricing Prospectus or any assumed employee benefit plan contemplated by clause (D); provided that in the case of clauses (D) and (E), the aggregate number of shares of Stock that the Company may sell or issue or agree to sell or issue pursuant to clauses (D) and (E) shall not exceed 5% of the total number of shares of Stock issued and outstanding immediately following the completion of the transactions contemplated by this Agreement; and provided, further, that in the case of clauses (D) and (E), the Company shall (x) cause each recipient of such securities to execute and deliver to the Representatives, on or prior to the issuance of such securities, a lock-up agreement on substantially the same terms as the lock-up agreements referenced in Section 8(k) hereof for the remainder of the Lock-Up Period and (y) enter stop transfer instructions with the Company's transfer agent and registrar on such securities, which the Company agrees it will not waive or amend without the prior written consent of the Representatives;

(ii) If Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC, in their sole discretion, agree to release or waive the restrictions in lock-up letters pursuant to Sections 1(b)(iv) or 8(j) hereof, in each case for an officer or director of the Company, and provide the Company with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Annex I hereto through a major news service at least two business days before the effective date of the release or waiver;

(f) During a period of two years from the effective date of the Registration Statement, so long as the Company is subject to the reporting requirements of either Section 13 or Section 15(d) of the Exchange Act, to furnish to its stockholders as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flows of the Company and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), to make available to its stockholders consolidated summary financial information of the Company and its subsidiaries for such quarter in reasonable detail; provided, however, that any report, communication or financial statement that is furnished or filed by the Company and publicly available on the EDGAR system shall be deemed to have been furnished and delivered to the stockholders at the same time furnished to or filed with the Commission;

(g) During a period of two years from the effective date of the Registration Statement, so long as the Company is subject to the reporting requirements of either Section 13 or Section 15(d) of the Exchange Act, to furnish to you copies of all reports or other communications (financial or other)

furnished to stockholders and not available on the EDGAR system or any successor thereto, and to deliver to you (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed to the extent they are not available on EDGAR, and (ii) such additional information concerning the business and financial condition of the Company as you may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of the Company and its subsidiaries are consolidated in reports furnished to its stockholders generally or to the Commission) that is already publicly available;

(h) To use the net proceeds received by it from the sale of the Shares pursuant to this Agreement in the manner specified in the Pricing Prospectus under the caption "Use of Proceeds";

(i) To use its best efforts to list for trading, subject to official notice of issuance, the Shares on The Nasdaq Stock Market LLC (the "Exchange");

(j) To file with the Commission such information on Form 10-Q or Form 10-K as may be required by Rule 463 under the Act;

(k) If the Company elects to rely upon Rule 462(b) under the Act, the Company shall file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) under the Act by 10:00 p.m., Washington, D.C. time, on the date of this Agreement, and the Company shall at the time of filing either pay to the Commission the filing fee for the Rule 462(b) Registration Statement or give irrevocable instructions for the payment of such fee pursuant to Rule 3a(c) of the Commission's Informal and Other Procedures (16 CFR 202.3a);

(l) Upon request of any Underwriter, to furnish, or cause to be furnished, to such Underwriter an electronic version of the Company's trademarks, servicemarks and corporate logo for use on the website, if any, operated by such Underwriter for the purpose of facilitating the on-line offering of the Shares (the "License"); provided, however, that the License shall be used solely for the purpose described above, is granted without any fee and may not be assigned or transferred;

(m) To promptly notify you if the Company ceases to be an Emerging Growth Company at any time prior to the later of (i) completion of the distribution of the Shares within the meaning of the Act and (ii) the last Time of Delivery; and

(n) To comply with all applicable securities and other laws, rules and regulations in each jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

6. (a) The Company represents and agrees that, without the prior consent of the Representatives, it has not made and will not make any offer relating to the Shares that would constitute a "free writing prospectus" as defined in Rule 405 under the Act; each Selling Stockholder represents and agrees that, without the prior consent of the Company and the Representatives, it has not made and will not make any offer relating to the Shares that would constitute a free writing prospectus; and each Underwriter represents and agrees that, without the prior consent of the Company and the Representatives, it has not made and will not make any offer relating to the Shares that would constitute a free writing prospectus required to be filed with the Commission; and any such free writing prospectus the use of which has been consented to by the Company and the Representatives is listed in Schedule III(a) hereto;

(b) The Company has complied and will comply with the requirements of Rule 433 under the Act applicable to any Issuer Free Writing Prospectus, including timely filing with the Commission or retention where required and legending; and the Company represents that it has satisfied and agrees that it will satisfy the conditions under Rule 433 under the Act to avoid a requirement to file with the Commission any electronic road show;

(c) The Company agrees that if at any time following issuance of an Issuer Free Writing Prospectus or Written Testing-the-Waters Communication any event occurred or occurs as a result of which such Issuer Free Writing Prospectus or Written Testing-the-Waters Communication would conflict with the information in the Registration Statement, the Pricing Prospectus or the Prospectus or would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances then prevailing, not misleading, the Company will give prompt notice thereof to the Representatives and, if requested by the Representatives, will prepare and furnish without charge to each Underwriter an Issuer Free Writing Prospectus, Written Testing-the-Waters Communication or other document which will correct such conflict, statement or omission;

(d) The Company represents and agrees that (i) it has not engaged in, or authorized any other person to engage in, any Testing-the-Waters Communications, other than Testing-the-Waters Communications with the prior consent of the Representatives with entities that the Company reasonably believes are qualified institutional buyers as defined in Rule 144A under the Act or institutions that are accredited investors as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Act, and (ii) it has not distributed, or authorized any other person to distribute, any Written Testing-the-Waters Communication, other than those distributed with the prior consent of the Representatives that are listed in Schedule III(d) hereto; and the Company reconfirms that the Underwriters have been authorized to act on its behalf in engaging in Testing-the-Waters Communications; and

(e) Each Underwriter represents and agrees that any Testing-the-Waters Communications undertaken by it were with entities that such Underwriter reasonably believes are qualified institutional buyers as defined in Rule 144A under the Act or institutions that are accredited investors as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Act.

7. The Company covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Shares under the Act and all other expenses in connection with the preparation, printing, reproduction and filing of the Registration Statement, any Preliminary Prospectus, any Written Testing-the-Waters Communication, any Issuer Free Writing Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any Agreement among Underwriters, this Agreement, the Blue Sky Memorandum, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (iii) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 5(b) hereof, including the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey; (iv) all fees and expenses in connection with listing the Shares on the Exchange; (v) the filing fees incident to, and the reasonable fees and disbursements of counsel for the Underwriters in connection with, any required review by FINRA of the terms of the sale of the Shares; provided that the aggregate amount payable pursuant to subsections (iii) and (v) (excluding filing fees and disbursements) shall not exceed \$30,000; (vi) the cost of preparing stock certificates, if applicable; (vii) the cost and charges of any transfer agent or registrar; (viii) the fees, disbursements and expenses of Whalen LLP, counsel of the Selling Stockholders (to the extent not agreed by the Selling Stockholders to be paid by them); (ix) all fees and disbursements of counsel incurred by the Underwriters in connection with the Directed Share Program and stamp duties, similar taxes or duties or other taxes, if

any, incurred by the Underwriters in connection with the Directed Share Program; and (x) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. Each Selling Stockholder covenants and agrees with the Company and the several Underwriters that such Selling Stockholder will pay or cause to be paid all costs and expenses incident to the performance of such Selling Stockholder's obligations hereunder with respect to (i) any fees and expenses of Whalen LLP (to the extent separately agreed between such Selling Stockholder and Whalen LLP) and any other counsel retained by such Selling Stockholder, and (ii) all expenses and transfer taxes incident to the sale and delivery of the Shares to be sold by such Selling Stockholder to the Underwriters hereunder. In connection with clause (ii) of the preceding sentence, the Representatives agree to pay New York State stock transfer tax, and the Selling Stockholder agrees to reimburse the Representatives for associated carrying costs if such tax payment is not rebated on the day of payment and for any portion of such tax payment not rebated. It is understood, however, that the Company shall bear, and the Selling Stockholders shall not be required to pay or to reimburse the Company for, the cost of any other matters not directly relating to the sale and purchase of the Shares pursuant to this Agreement, and that, except as provided in this Section 7, and Sections 9, 10 and 13 hereof, (i) the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, stock transfer taxes on resale of any of the Shares by them, and any advertising expenses connected with any offers they may make, (ii) the Company will bear all of the Company's (but not the Underwriters') travel and lodging expenses and the Underwriters will bear all of the Underwriters' (but not the Company's) travel and lodging expenses, in each case, in connection with any "roadshow" presentation to investors and (iii) notwithstanding clause (ii), the Company, on the one hand, and the Underwriters, on the other hand, shall each pay 50% of the cost of any chartered plane, chartered jet or other chartered aircraft used in connection with any "roadshow" presentation to investors.

8. The obligations of the Underwriters hereunder, as to the Shares to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company and the Selling Stockholders herein are, at and as of the Applicable Time and such Time of Delivery, true and correct, the condition that the Company and the Selling Stockholders shall have performed all of its and their obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; all material required to be filed by the Company pursuant to Rule 433(d) under the Act shall have been filed with the Commission within the applicable time period prescribed for such filing by Rule 433 under the Act; if the Company has elected to rely upon Rule 462(b) under the Act, the Rule 462(b) Registration Statement shall have become effective by 10:00 p.m., Washington, D.C. time, on the date of this Agreement; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose or pursuant to Section 8A of the Act shall have been initiated or threatened by the Commission; no stop order suspending or preventing the use of the Pricing Prospectus, the Prospectus or any Issuer Free Writing Prospectus shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to your reasonable satisfaction;

(b) Latham & Watkins LLP, counsel for the Underwriters, shall have furnished to you such written opinion and negative assurance letter, dated such Time of Delivery, in form and substance satisfactory to you, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;



(c) Cooley LLP, counsel for the Company, shall have furnished to you their written opinion and negative assurance letter, dated such Time of Delivery, in form and substance satisfactory to you;

(d) The respective counsel for each of the Selling Stockholders, as indicated in Schedule II hereto, each shall have furnished to you their written opinion with respect to each of the Selling Stockholders for whom they are acting as counsel, dated such Time of Delivery, in form and substance satisfactory to you;

(e) On the date of the Prospectus at a time prior to the execution of this Agreement, at 9:30 a.m., New York time, on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and also at each Time of Delivery, KPMG LLP shall have furnished to you a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to you;

(f) The Chief Financial Officer of the Company shall have furnished or caused to be furnished to you at such Time of Delivery a certificate in form and substance satisfactory to the Representatives;

(g) (i) Neither the Company nor any of its subsidiaries shall have sustained, since the date of the latest audited financial statements included in the Pricing Prospectus, any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Prospectus, and (ii) since the respective dates as of which information is given in the Pricing Prospectus there shall not have been any change in the capital stock or long-term debt of the Company or any of its subsidiaries or any change or effect, or any development involving a prospective change or effect, in or affecting (x) the business, properties, general affairs, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, taken as a whole, except as set forth or contemplated in the Pricing Prospectus and the Prospectus, or (y) the ability of the Company to perform its obligations under this Agreement, including the issuance and sale of the Shares, or to consummate the transactions contemplated in the Pricing Prospectus and the Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in your judgment so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Pricing Prospectus and the Prospectus;

(h) On or after the Applicable Time (i) no downgrading shall have occurred in the rating accorded the Company's debt securities or preferred stock by any "nationally recognized statistical rating organization," as defined in Section 3(a)(62) of the Exchange Act, and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities or preferred stock;

(i) On or after the Applicable Time there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the Exchange; (ii) a suspension or material limitation in trading in the Company's securities on the Exchange; (iii) a general moratorium on commercial banking activities declared by either Federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war or (v) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such

event specified in clause (iv) or (v) in your judgment makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Pricing Prospectus and the Prospectus;

(j) The Shares to be sold at such Time of Delivery shall have been duly listed, subject to official notice of issuance, on the Exchange;

(k) The Company shall have obtained and delivered to the Underwriters executed copies of an agreement from each stockholder of the Company listed in Schedule IV hereto, substantially to the effect set forth in Annex II hereto in form and substance satisfactory to you;

(l) The Company shall have complied with the provisions of Section 5(c) hereof with respect to the furnishing of prospectuses on the New York Business Day next succeeding the date of this Agreement; and

(m) The Company and the Selling Stockholders shall have furnished or caused to be furnished to you at such Time of Delivery certificates of officers of the Company and of the Selling Stockholders, respectively, satisfactory to you, as to the accuracy of the representations and warranties of the Company and the Selling Stockholders, respectively, herein at and as of such Time of Delivery, as to the performance by the Company and the Selling Stockholders of all of their respective obligations hereunder to be performed at or prior to such Time of Delivery, as to such other matters as you may reasonably request, and the Company shall have furnished or caused to be furnished certificates as to the matters set forth in subsections (a) and (g) of this Section 8.

9. (a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus, any "roadshow" as defined in Rule 433(h) under the Act (a "roadshow"), any "issuer information" filed or required to be filed pursuant to Rule 433(d) under the Act or any Testing-the-Waters Communication, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus or any Testing-the-Waters Communication, in reliance upon and in conformity with the Underwriter Information.

(b) Each of the Selling Stockholders, severally and not jointly, will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus, any roadshow or any Testing-the-Waters Communication, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein

or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto or any Issuer Free Writing Prospectus, or any roadshow or any Testing-the-Waters Communication, in reliance upon and in conformity with written information furnished to the Company by such Selling Stockholder expressly for use therein that constitutes Selling Stockholder Information; and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that such Selling Stockholder shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus or any amendment or supplement thereto or any Issuer Free Writing Prospectus in reliance upon and in conformity with the Underwriter Information; provided, further, that the liability of a Selling Stockholder pursuant to this subsection (b) shall not exceed the product of the number of shares sold by such Selling Stockholder and the initial public offering price of the Shares as set forth in the Prospectus (net of any underwriting discounts and commissions but before deducting expenses) (the "Selling Stockholder Proceeds").

(c) Each Underwriter, severally and not jointly, will indemnify and hold harmless the Company and each Selling Stockholder against any losses, claims, damages or liabilities to which the Company or such Selling Stockholder may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or any roadshow, or any Testing-the-Waters Communication, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or any roadshow, or any Testing-the-Waters Communication, in reliance upon and in conformity with the Underwriter Information; and will reimburse the Company and each Selling Stockholder for any legal or other expenses reasonably incurred by the Company or such Selling Stockholder in connection with investigating or defending any such action or claim as such expenses are incurred. As used in this Agreement with respect to an Underwriter and an applicable document, "Underwriter Information" shall mean the written information furnished to the Company by such Underwriter through the Representatives expressly for use therein; it being understood and agreed upon that the only such information furnished by any Underwriter consists of the following information in the Prospectus furnished on behalf of each Underwriter: the concession and reallowance figures appearing in the fifth paragraph under the caption "Underwriting," and the information contained in the ninth, tenth and eleventh paragraphs under the caption "Underwriting".

(d) Promptly after receipt by an indemnified party under subsection (a), (b) or (c) of this Section 9 of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; provided that the failure to notify the indemnifying party shall not relieve it from any liability that it may have under the preceding paragraphs of this Section 9 except to the extent that it has been materially prejudiced (through the forfeiture of

substantive rights or defenses) by such failure; and provided further that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under the preceding paragraphs of this Section 9. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation unless (i) such indemnified party shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the indemnifying party, (ii) the indemnifying party has failed within a reasonable time to retain counsel reasonably satisfactory to the indemnified party, or (iii) the named parties in any such proceeding (including any impleaded parties) include both the indemnifying person and the indemnified person and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interest between them. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(e) If the indemnification provided for in this Section 9 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a), (b) or (c) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and the Selling Stockholders on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (after deducting underwriter compensation but before deducting expenses) received by the Company and the Selling Stockholders bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Selling Stockholders on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or

omission. The Company, each of the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subsection (e) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (e), (i) no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, and (ii) the contribution by the Selling Stockholders pursuant to this subsection (e) shall not exceed the Selling Stockholder Proceeds (reduced by any amounts such Selling Stockholder is obligated to pay under subsection (b) above). No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (e) to contribute are several in proportion to their respective underwriting obligations and not joint and the Selling Stockholder's obligations in this subsection (e) to contribute are several in proportion to their Selling Stockholder Proceeds.

(f) The obligations of the Company and the Selling Stockholders under this Section 9 shall be in addition to any liability which the Company and the Selling Stockholders may otherwise have and shall extend, upon the same terms and conditions, to each employee, officer and director of each Underwriter and each person, if any, who controls any Underwriter within the meaning of the Act and each broker-dealer or other affiliate of any Underwriter; and the obligations of the Underwriters under this Section 9 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company (including any person who, with his or her consent, is named in the Registration Statement as about to become a director of the Company) and to each person, if any, who controls the Company or any Selling Stockholder within the meaning of the Act.

10. (a) The Company agrees to indemnify and hold harmless Morgan Stanley, each person, if any, who controls Morgan Stanley within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act and each affiliate of Morgan Stanley within the meaning of Rule 405 of the Act ("Morgan Stanley Entities") from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) (i) that arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the consent of the Company for distribution to Participants in connection with the Directed Share Program or arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) that arise out of, or are based upon, the failure of any Participant to pay for and accept delivery of Directed Shares that the Participant agreed to purchase; or (iii) related to, arising out of, or in connection with the Directed Share Program, other than losses, claims, damages or liabilities (or expenses relating thereto) that are finally judicially determined to have resulted from the bad faith or gross negligence of Morgan Stanley Entities. The Company agrees and confirms that references to "affiliates" of Morgan Stanley that appear in this Agreement shall be understood to include Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

(b) In case any proceeding (including any governmental investigation) shall be instituted involving any Morgan Stanley Entity in respect of which indemnity may be sought pursuant to Section 10(a), the Morgan Stanley Entity seeking indemnity, shall promptly notify the Company in writing and the Company, upon request of the Morgan Stanley Entity, shall retain counsel reasonably satisfactory to the Morgan Stanley Entity to represent the Morgan Stanley Entity and any others the Company may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Morgan Stanley Entity shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Morgan Stanley Entity unless (i) the Company shall have agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Company and the Morgan Stanley Entity and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. The Company shall not, in respect of the legal expenses of the Morgan Stanley Entities in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Morgan Stanley Entities. Any such separate firm for the Morgan Stanley Entities shall be designated in writing by Morgan Stanley. The Company shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Company agrees to indemnify the Morgan Stanley Entities from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time a Morgan Stanley Entity shall have requested the Company to reimburse it for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the Company agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by the Company of the aforesaid request and (ii) the Company shall not have reimbursed the Morgan Stanley Entity in accordance with such request prior to the date of such settlement. The Company shall not, without the prior written consent of Morgan Stanley, effect any settlement of any pending or threatened proceeding in respect of which any Morgan Stanley Entity is or could have been a party and indemnity could have been sought hereunder by such Morgan Stanley Entity, unless such settlement includes an unconditional release of the Morgan Stanley Entities from all liability on claims that are the subject matter of such proceeding.

(c) To the extent the indemnification provided for in Section 10(a) is unavailable to a Morgan Stanley Entity or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then the Company in lieu of indemnifying the Morgan Stanley Entity thereunder, shall contribute to the amount paid or payable by the Morgan Stanley Entity as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Morgan Stanley Entities on the other hand from the offering of the Directed Shares or (ii) if the allocation provided by clause 10(c)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 10(c)(i) above but also the relative fault of the Company on the one hand and of the Morgan Stanley Entities on the other hand in connection with any statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Morgan Stanley Entities on the other hand in connection with the offering of the Directed Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Directed Shares (before deducting expenses) and the total underwriting discounts and commissions received by the Morgan Stanley Entities for the Directed Shares, bear to the aggregate public offering price of the Directed Shares. If the loss, claim, damage or liability is caused by an untrue or alleged untrue statement of a material fact or the omission

or alleged omission to state a material fact, the relative fault of the Company on the one hand and the Morgan Stanley Entities on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement or the omission or alleged omission relates to information supplied by the Company or by the Morgan Stanley Entities and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(d) The Company and the Morgan Stanley Entities agree that it would not be just or equitable if contribution pursuant to this Section 10 were determined by *pro rata* allocation (even if the Morgan Stanley Entities were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 10(c). The amount paid or payable by the Morgan Stanley Entities as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by the Morgan Stanley Entities in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 10, no Morgan Stanley Entity shall be required to contribute any amount in excess of the amount by which the total price at which the Directed Shares distributed to the public were offered to the public exceeds the amount of any damages that such Morgan Stanley Entity has otherwise been required to pay. The remedies provided for in this Section 10 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(e) The indemnity and contribution provisions contained in this Section 10 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Morgan Stanley Entity or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Directed Shares.

11. (a) If any Underwriter shall default in its obligation to purchase the Shares that it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase such Shares on the terms contained herein. If within 36 hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Company and the Selling Stockholders shall be entitled to a further period of 36 hours within which to procure another party or other parties satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Company and the Selling Stockholders that you have so arranged for the purchase of such Shares, or the Company or a Selling Stockholder notifies you that it has so arranged for the purchase of such Shares, you or the Company or the Selling Stockholders shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments or supplements to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you, the Company and the Selling Stockholders as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Company and the Selling Stockholders shall have the right to require each non-defaulting Underwriter to purchase the number of Shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting

Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you, the Company and the Selling Stockholders as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all of the Shares to be purchased at such Time of Delivery, or if the Company and the Selling Stockholders shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to a Second Time of Delivery, the obligations of the Underwriters to purchase and of the Selling Stockholders to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter, the Company or the Selling Stockholders, except for the expenses to be borne by the Company, the Selling Stockholders and the Underwriters as provided in Section 7 hereof and the indemnity and contribution agreements in Sections 9 and 10 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

12. The respective indemnities, agreements, representations, warranties and other statements of the Company, the Selling Stockholders and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or any of the Selling Stockholders, or any officer or director or controlling person of the Company, or any controlling person of any Selling Stockholder, and shall survive delivery of and payment for the Shares.

13. If this Agreement shall be terminated pursuant to Section 11 hereof, neither the Company nor the Selling Stockholders shall then be under any liability to any Underwriter except as provided in Sections 7, 9 and 10 hereof; but, if for any other reason any Shares are not delivered by or on behalf of the Company and the Selling Stockholders as provided herein, or the Underwriters decline to purchase the Shares for any reason permitted under this Agreement, the Company will reimburse the Underwriters through you for all out-of-pocket expenses approved in writing by you, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company and the Selling Stockholders shall then be under no further liability to any Underwriter except as provided in Sections 7, 9 and 10 hereof.

14. In all dealings hereunder, the Representatives shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC on behalf of you as the Representatives; and in all dealings with any Selling Stockholder hereunder, you and the Company shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of such Selling Stockholder made or given by any or all of the Attorneys-in-Fact for such Selling Stockholder.

In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company and the Selling Stockholders, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients.



All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to Goldman Sachs & Co. LLC, 200 West Street, New York, New York 10282, Attention: Registration Department, and Morgan Stanley & Co. LLC, 1585 Broadway, New York, New York 10036, Attention: Equity Syndicate Desk; if to any Selling Stockholder represented by Whalen LLP shall be delivered or sent by mail, telex or facsimile transmission to each of the Attorneys-in-Fact named in the Power of Attorney, c/o the Company at the address set forth on the cover of the Registration Statement, Attention: General Counsel, with a copy to Whalen LLP, 1601 Dove Street, Suite 270, Newport Beach, California 92660 and if to any other Selling Stockholder listed in Schedule II shall be delivered or sent by mail, telex or facsimile transmission to counsel for such Selling Stockholder at its address set forth in Schedule II hereto; if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth on the cover of the Registration Statement, Attention: Chief Executive Officer; and if to any stockholder that has delivered a lock-up letter described in Section 8(k) hereof shall be delivered or sent by mail to his or her respective address provided in Schedule IV hereto or such other address as such stockholder provides in writing to the Company; provided, however, that any notice to an Underwriter pursuant to Section 9(d) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire or telex constituting such Questionnaire, which address will be supplied to the Company or the Selling Stockholders by you on request; provided further that notices under subsection 5(e) shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you as the Representatives at Goldman Sachs & Co. LLC, 200 West Street, New York, New York 10282, Attention: Control Room, and Morgan Stanley & Co. LLC, 1585 Broadway, New York, New York 10036, Attention: Equity Syndicate Desk, with a copy to the Legal Department. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

15. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and the Selling Stockholders and, to the extent provided in Sections 9, 10 and 12 hereof, the officers and directors of the Company and each person who controls the Company, any Selling Stockholder or any Underwriter, each affiliate of any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

16. Time shall be of the essence of this Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

17. The Company and the Selling Stockholders acknowledge and agree that (i) the purchase and sale of the Shares pursuant to this Agreement is an arm's-length commercial transaction between the Company and the Selling Stockholders, on the one hand, and the several Underwriters, on the other, (ii) in connection therewith and with the process leading to such transaction each Underwriter is acting solely as a principal and not the agent or fiduciary of the Company or any Selling Stockholder, (iii) no Underwriter has assumed an advisory or fiduciary responsibility in favor of the Company or any Selling Stockholder with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company or any Selling Stockholder on other matters) or any other obligation to the Company or any Selling Stockholder except the obligations expressly set forth in this Agreement and (iv) the Company and each Selling Stockholder has consulted its own legal and financial advisors to the extent it deemed appropriate. The Company and each Selling Stockholder agrees that it will not claim that the Underwriters, or any of them, has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Company or any Selling Stockholder, in connection with such transaction or the process leading thereto.

18. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company, the Selling Stockholders and the Underwriters, or any of them, with respect to the subject matter hereof.

**19. This Agreement and any transaction contemplated by this Agreement and any claim, controversy or dispute arising under or related thereto shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflict of laws that would result in the application of any other law than the laws of the State of New York. The Company and each Selling Stockholder agree that any suit or proceeding arising in respect of this Agreement or any transaction contemplated by this Agreement will be tried exclusively in the U.S. District Court for the Southern District of New York or, if that court does not have subject matter jurisdiction, in any state court located in The City and County of New York and the Company and each Selling Stockholder agree to submit to the jurisdiction of, and to venue in, such courts.**

20. The Company, each Selling Stockholder and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

21. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

22. Notwithstanding anything herein to the contrary, the Company and the Selling Stockholders are authorized to disclose to any persons the U.S. federal and state income tax treatment and tax structure of the potential transaction and all materials of any kind (including tax opinions and other tax analyses) provided to the Company and the Selling Stockholders relating to that treatment and structure, without the Underwriters imposing any limitation of any kind. However, any information relating to the tax treatment and tax structure shall remain confidential (and the foregoing sentence shall not apply) to the extent necessary to enable any person to comply with securities laws. For this purpose, "tax structure" is limited to any facts that may be relevant to that treatment.

23. Recognition of the U.S. Special Resolution Regimes.

(a) In the event that any Underwriter that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from such Underwriter of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(b) In the event that any Underwriter that is a Covered Entity or a BHC Act Affiliate of such Underwriter becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement that may be exercised against such Underwriter are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.

(c) As used in this section:

“BHC Act Affiliate” has the meaning assigned to the term “affiliate” in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k).

“Covered Entity” means any of the following:

- (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);
- (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or
- (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“U.S. Special Resolution Regime” means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

If the foregoing is in accordance with your understanding, please sign and return to us seven executed facsimiles or executed scanned copies of this Agreement, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement among each of the Underwriters, the Company and each of the Selling Stockholders. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters, the form of which shall be submitted to the Company and the Selling Stockholders for examination, upon request, but without warranty on your part as to the authority of the signers thereof.

Any person executing and delivering this Agreement as Attorney-in-Fact for a Selling Stockholder represents by so doing that he has been duly appointed as Attorney-in-Fact by such Selling Stockholder pursuant to a validly existing and binding Power-of-Attorney that authorizes such Attorney-in-Fact to take such action.

Very truly yours,

Vital Farms, Inc.

By: \_\_\_\_\_

Name:

Title:

[Signature Page to Underwriting Agreement]

[●]

By: \_\_\_\_\_

Name:

Title:

As Attorney-in-Fact acting on behalf of each of the  
Selling Stockholders named in Schedule II to this  
Agreement

[Signature Page to Underwriting Agreement]

Accepted as of the date hereof:

Goldman Sachs & Co. LLC

By: \_\_\_\_\_

Name:

Title:

Morgan Stanley & Co. LLC

By: \_\_\_\_\_

Name:

Title:

On behalf of each of the Underwriters

[Signature Page to Underwriting Agreement]

SCHEDULE I

<u>Underwriter</u>	<u>Total Number of Firm Shares to be Purchased</u>	<u>Number of Optional Shares to be Purchased if Maximum Option Exercised</u>
Goldman Sachs & Co. LLC		
Morgan Stanley & Co. LLC		
Credit Suisse Securities (USA) LLC		
Jefferies LLC		
BMO Capital Markets Corp.		
Stifel, Nicolaus & Company, Incorporated		
Total		

**SCHEDULE II**

	<b>Total Number of Firm Shares to be Sold</b>	<b>Number of Optional Shares to be Sold if Maximum Option Exercised</b>
The Company		
The Selling Stockholder(s):		
[●](a)		
[●](b)		
[●](c)		
[●](d)		
[●](e)		
Total	<u>          </u>	<u>          </u>

- (a) This Selling Stockholder is represented by [●] and has appointed [●], and each of them, as the Attorneys-in-Fact for such Selling Stockholder.
- (b) This Selling Stockholder is represented by [●] and has appointed [●], and each of them, as the Attorneys-in-Fact for such Selling Stockholder.
- (c) This Selling Stockholder is represented by [●] and has appointed [●], and each of them, as the Attorneys-in-Fact for such Selling Stockholder.
- (d) This Selling Stockholder is represented by [●] and has appointed [●], and each of them, as the Attorneys-in-Fact for such Selling Stockholder.
- (e) This Selling Stockholder is represented by [●] and has appointed [●], and each of them, as the Attorneys-in-Fact for such Selling Stockholder.



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**SCHEDULE III**

- (a) Issuer Free Writing Prospectuses not included in the Pricing Disclosure Package  
Electronic Roadshow dated [●], 2020.
- (b) Additional documents incorporated by reference  
None.
- (c) Information other than the Pricing Prospectus that comprise the Pricing Disclosure Package  
The initial public offering price per share for the Shares is \$[●].  
The number of Shares purchased by the Underwriters is [●].
- (d) Written Testing-the-Waters Communications  
[●]

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**SCHEDULE IV**

Name of Stockholder

Address

## FORM OF PRESS RELEASE

**Vital Farms, Inc.**

**[Date]**

Vital Farms, Inc. (the “Company”) announced today that Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC, the lead book-running managers in the recent public sale of [●] shares of the Company’s common stock, are [waiving] [releasing] a lock-up restriction with respect to [●] shares of the Company’s common stock held by [certain officers or directors] [an officer or director] of the Company. The [waiver] [release] will take effect on [date], and the shares may be sold on or after such date.

**This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the U. S. Securities Act of 1933, as amended.**

## FORM OF LOCK-UP AGREEMENT

, 2020

Goldman Sachs & Co. LLC  
Morgan Stanley & Co. LLC

c/o Goldman Sachs & Co. LLC  
200 West Street  
New York, NY 10282-2198

and

c/o Morgan Stanley & Co. LLC  
1585 Broadway  
New York, New York 10036

Re: Vital Farms, Inc. – Lock-Up Agreement

Ladies and Gentlemen:

The undersigned understands that you, as representatives (the “**Representatives**”), propose to enter into an underwriting agreement (the “**Underwriting Agreement**”) on behalf of the several Underwriters named in Schedule I to such agreement (collectively, the “**Underwriters**”) with Vital Farms, Inc., a public benefit corporation organized under the laws of Delaware (the “**Company**”), providing for a public offering (the “**Offering**”) of the common stock, par value \$0.0001 per share (“**Common Stock**”), of the Company (the “**Shares**”) pursuant to a Registration Statement on Form S-1 (the “**Registration Statement**”) to be filed with the Securities and Exchange Commission.

In consideration of the agreement by the Underwriters to offer and sell the Shares, and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned agrees that, during the period beginning from the date of this lock-up agreement (this “**Lock-Up Agreement**”) and continuing to and including the date 180 days after the date set forth on the final prospectus (the “**Prospectus**”) used to sell the Shares (the “**Lock-Up Period**”), the undersigned shall not, and shall not cause or direct any of its affiliates to, (i) offer, sell, contract to sell, pledge, grant any option to purchase, lend or otherwise dispose of any shares of Common Stock, or any options or warrants to purchase any shares of Common Stock, or any securities convertible into, exchangeable for or that represent the right to receive shares of Common Stock (such options, warrants or other securities, collectively, “**Derivative Instruments**”), including, without limitation, any such shares of Common Stock or Derivative Instruments now owned or hereafter acquired by the undersigned (collectively, the “**Undersigned’s Shares**”), (ii) engage in any hedging or other transaction or arrangement (including, without limitation, any short sale or the purchase or sale of, or entry into, any put or call option, or combination thereof, forward, swap or any other derivative transaction or instrument, however described or defined) which is designed to or which reasonably could be expected to lead to or result in a sale, loan, pledge or other disposition (whether by the undersigned or someone other than the undersigned), or transfer of any of the economic consequences of ownership, in whole or in part, directly or indirectly, of any shares of Common Stock or Derivative Instruments, whether any such transaction or arrangement (or instrument provided for thereunder) would be settled by delivery of shares of Common Stock or other securities, in cash or

otherwise (any such sale, loan, pledge or other disposition, or transfer of economic consequences, a “**Transfer**”) or (iii) otherwise publicly announce any intention to engage in or cause any action or activity described in clause (i) above or transaction or arrangement described in clause (ii) above. The undersigned represents and warrants that the undersigned is not, and has not caused or directed any of its affiliates to be or become, currently a party to any agreement or arrangement that provides for, is designed to or which reasonably could be expected to lead to or result in any Transfer during the Lock-Up Period. For the avoidance of doubt, the undersigned agrees that the foregoing provisions shall be equally applicable to any issuer-directed or other Shares the undersigned may purchase in the Offering.

If the undersigned is not a natural person, the undersigned represents and warrants that no single natural person, entity or “group” (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), other than a natural person, entity or “group” (as described above) that has executed a lock-up agreement in substantially the same form as this Lock-Up Agreement, beneficially owns, directly or indirectly, 50% or more of the common equity interests, or 50% or more of the voting power, in the undersigned.

If the undersigned is an officer or director of the Company, (i) Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC agree that, at least three business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of shares of Common Stock, Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC will notify the Company of the impending release or waiver, and (ii) the Company has agreed in the Underwriting Agreement to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver. Any release or waiver granted by Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC hereunder to any such officer or director shall only be effective two business days after the publication date of such press release. The provisions of this paragraph will not apply if (a) the release or waiver is effected solely to permit a transfer not for consideration and (b) the transferee has agreed in writing to be bound by the same terms described in this Lock-Up Agreement to the extent and for the duration that such terms remain in effect at the time of the transfer.

Notwithstanding the foregoing, the undersigned may transfer the Undersigned’s Shares:

- (i) to the Underwriters pursuant to the terms of the Underwriting Agreement;
- (ii) as a *bona fide* gift or gifts;
- (iii) to any trust for the direct or indirect benefit of the undersigned or the immediate family (as defined below) of the undersigned, or if the undersigned is a trust, to a trustor, trustee (or co-trustee) or beneficiary of the trust or to the estate of the beneficiary of such trust;
- (iv) [in connection with the sale of any of the Undersigned’s Shares acquired in open market transactions after the Offering; for the avoidance of doubt, this clause (iv) shall not apply to any issuer-directed Shares the undersigned may purchase in the Offering]<sup>1</sup> [in connection with the sale of any of the Undersigned’s Shares acquired (a) in the Offering or (b) in open market transactions after the Offering]<sup>2</sup>;
- (v) if the undersigned is a corporation, partnership, limited liability company, trust or other business entity (a) to another corporation, partnership, limited liability company, trust

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<sup>1</sup> NTD: To be used in Lock-Up Agreements for directors and officers of the Company.

<sup>2</sup> NTD: To be used in all other Lock-Up Agreements.

or other business entity that is an affiliate (as defined in Rule 405 promulgated under the Securities Act of 1933, as amended) of the undersigned, or to any investment fund or other entity controlling, controlled by, managing or managed by or under common control with the undersigned or affiliates of the undersigned (including, for the avoidance of doubt, where the undersigned is a partnership, to its general partner or a successor partnership or fund, or any other funds managed by such partnership), or (b) as part of a distribution, transfer or disposition by the undersigned to its stockholders, partners, members, beneficiaries or other equity holders;

- (vi) to the Company in connection with the exercise, vesting or settlement of options, warrants or other rights to acquire shares of Common Stock or any securities convertible into, exercisable or exchangeable for or that represent the right to receive shares of Common Stock in accordance with their terms (including, in each case, on a “cashless” or “net exercise” basis and/or to cover withholding tax obligations (including estimated withholding tax obligations) in connection with such exercise, vesting or settlement) pursuant to an equity incentive plan, option, warrant or other right described in the Registration Statement and the Prospectus, *provided* that any shares of Common Stock or securities received upon such exercise, vesting or settlement, as applicable, shall be subject to the restrictions set forth in this Lock-Up Agreement;
- (vii) by will or intestacy;
- (viii) to any immediate family member of the undersigned;
- (ix) to the Company (a) pursuant to an agreement described in the Registration Statement and the Prospectus under which the Company has the option to repurchase the Undersigned’s Shares upon termination of service of the undersigned or (b) pursuant to the right of first refusal with respect to transfers of the Undersigned’s Shares contained in the Company’s bylaws and stockholders’ agreement, each as in effect on the date hereof, and described in the Registration Statement and the Prospectus, *provided*, in the case of clause (b), that the transfer triggering such right of first refusal is otherwise permitted under this Lock-Up Agreement;
- (x) by operation of law pursuant to a qualified domestic order or in connection with a divorce settlement or any related court order;
- (xi) with the prior written consent of Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC;
- (xii) in connection with the conversion or reclassification of outstanding shares of the preferred stock, par value \$0.0001 per share, of the Company into shares of Common Stock as described in the Registration Statement and the Prospectus, *provided* that any shares of Common Stock received upon such conversion or reclassification shall be subject to the restrictions set forth in this Lock-Up Agreement;

*provided* that: (A) in the case of clauses (ii), (iii), (v), (vii) and (viii), such transfer shall not involve a disposition for value; (B) in the case of clauses (ii), (iii), (v), (vii), (viii) and (x), it shall be a condition to such transfer or distribution that the donee, transferee, devisee or distribute, as the case may be, agrees in writing to be bound by the restrictions set forth in this Lock-Up Agreement; (C) in the case of clauses (ii), (iii), (iv), (v), (vii) and (viii), no filing under the Exchange Act, or any other public filing, report or announcement, reporting a reduction in beneficial ownership of Common Stock shall be required or voluntarily made during the Lock-Up Period; and (D) in the case of clauses (vi), (ix), (x) and (xii), no filing under the Exchange Act, or any other public filing, report or announcement, reporting

a reduction in beneficial ownership of Common Stock shall be voluntarily made during the Lock-Up Period and, if the undersigned is required to file a report under Section 16 of the Exchange Act during the Lock-Up Period reporting a reduction in beneficial ownership of Common Stock, such filing shall clearly indicate in the footnotes thereto the nature and conditions of such transfer.

Further, this Lock-Up Agreement shall not restrict the transfer of the Undersigned's Shares pursuant to a bona fide Change of Control (as defined below) of the Company that has been approved by the board of directors of the Company, *provided* that all of the Undersigned's Shares that are not so transferred shall remain subject to the restrictions set forth in this Lock-Up Agreement, and *provided further* that it shall be a condition of such transfer that in the event that the Change of Control is not completed, the Undersigned's Shares shall remain subject to the restrictions set forth in this Lock-Up Agreement.

For purposes of this Lock-Up Agreement: "**immediate family**" means any relationship by blood, marriage, domestic partnership, civil union or adoption, not more remote than first cousin; and "**Change of Control**" means the consummation of any *bona fide* third-party tender offer, merger, consolidation or other similar transaction or series of related transactions, the result of which is that any "person" (as defined in Rule 13d-3 of the Exchange Act), or group of persons, other than the Company or its subsidiaries, becomes the beneficial owner (as defined in Rule 13d-3 and 13d-5 of the Exchange Act) of 50% or more of the total voting power of the voting capital stock of the Company (or the surviving entity).

Additionally, the undersigned may enter into a written trading plan meeting the requirements of Rule 10b5-1 under the Exchange Act relating to the sale of the Undersigned's Shares, *provided* that the securities subject to such plan may not be transferred during the Lock-Up Period, *provided further* that to the extent a public announcement or filing under the Exchange Act, if any, is required by or on behalf of the undersigned or the Company regarding the establishment of such plan during the Lock-Up Period, such announcement or filing shall include a statement to the effect that no transfer of the securities subject to such plan may be made under such plan during the Lock-Up Period, and *provided further* that no filing under the Exchange Act, or any other public filing, report or announcement, regarding the establishment of such plan shall be voluntarily made during the Lock-Up Period.

The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the Undersigned's Shares except in compliance with the foregoing restrictions. The undersigned hereby agrees to waive any and all notice requirements and rights with respect to the registration of any securities of the Company pursuant to any agreement, understanding or otherwise, including, but not limited to, any stockholders' agreement to which the undersigned and the Company may be party, *provided* that such waiver shall apply only to the Offering and any other action taken by the Company in connection with the Offering.

This Lock-Up Agreement (and for the avoidance of doubt, the Lock-Up Period described herein) and related restrictions shall automatically terminate upon the earliest to occur, if any, of (i) the Company advising the Representatives in writing prior to the execution of the Underwriting Agreement that it has determined not to proceed with the Offering, (ii) the termination of the Underwriting Agreement (other than the provisions thereof that survive termination) prior to payment for and delivery of the Shares to be sold thereunder, (iii) the Registration Statement is withdrawn or (iv) November 30, 2020, in the event that the Underwriting Agreement has not been executed by such date, *provided*, in the case of clause (iv), that the Company may, by written notice to the undersigned prior to such date, extend such date for a period of up to three additional months.

This Lock-Up Agreement and any claim, controversy or dispute arising under or related to this Lock-Up Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws principles thereof.

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The undersigned understands that the Company and the Underwriters are relying upon this Lock-Up Agreement in proceeding toward consummation of the Offering. The undersigned further understands that this Lock-Up Agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors and assigns.

This Lock-Up Agreement may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000 (*e.g.*, [www.docusign.com](http://www.docusign.com) or [www.echosign.com](http://www.echosign.com))) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

*[Signature Page Follows.]*



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Very truly yours,

\_\_\_\_\_  
Exact Name of Shareholder

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Title

FIFTH AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
VITAL FARMS, INC.  
A PUBLIC BENEFIT CORPORATION

Russell Diez-Canseco hereby certifies that:

**ONE:** The original date of filing the original Certificate of Incorporation of this company with the Secretary of State of the State of Delaware was June 6, 2013.

**TWO:** He is the duly elected and acting Chief Executive Officer of **VITAL FARMS, INC.**, a Delaware corporation.

**THREE:** The Amended and Restated Certificate of Incorporation, attached hereto as Exhibit A, is incorporated herein by reference, and restates, integrates and further amends the provisions of the Amended and Restated Certificate of Incorporation as previously amended or supplemented.

**FOUR:** This Amended and Restated Certificate of Incorporation has been duly authorized in accordance with Sections 228, 242 and 245 of the DGCL.

Vital Farms, Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by a duly authorized officer on July 22, 2020.

**VITAL FARMS, INC.**

By: /s/ Russell Diez-Canseco

Russell Diez-Canseco  
Chief Executive Officer

EXHIBIT A

FIFTH AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
VITAL FARMS, INC.  
A PUBLIC BENEFIT CORPORATION

**FIRST:** The name of the Corporation is Vital Farms, Inc. (the “**Corporation**”).

**SECOND:** The address of its registered office in the State of Delaware is 251 Little Falls Drive, City of Wilmington, County of New Castle, Delaware 19808. The name of its registered agent at such address is Corporation Service Company.

**THIRD:** The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful act or activity for which corporations, including Public Benefit Corporations (“**PBCs**”), may be organized under the General Corporation Law of the State of Delaware (the “**DGCL**”), including without limitation the following public benefits: (i) bringing ethically produced food to the table; (ii) bringing joy to our customers through products and services; (iii) allowing crew members to thrive in an empowering, fun environment; (iv) fostering lasting partnerships with our farmers and suppliers; (v) forging an enduring profitable business; and (vi) being stewards of our animals, land, air, and water, and being supportive of our community.

**FOURTH:** The total number of shares of all classes of stock which the Corporation shall have authority to issue is 60,192,876 shares, of which (a) 52,000,000 shares, par value \$0.0001 per share, shall be designated as “Common Stock” (the “**Common Stock**”), and (b) 8,192,876 shares, par value \$0.0001 per share, shall be designated as “Preferred Stock” (the “**Preferred Stock**”), of which (i) 2,728,018 shares shall be designated as “Series B Preferred Stock” (the “**Series B Preferred Stock**”), and (ii) 2,464,466 shares shall be designated as “Series C Preferred Stock” (the “**Series C Preferred Stock**”), and (iii) 3,000,392 shares shall be designated as “Series D Preferred Stock” (the “**Series D Preferred Stock**”).

Effective as of the effectiveness of the filing with the Secretary of State of the State of Delaware of this Fifth Amended and Restated Certificate of Incorporation of the Corporation (the “**Effective Time**”), the outstanding shares of the Corporation’s capital stock shall be subdivided and changed such that (a) each share of Common Stock outstanding immediately prior to the Effective Time shall automatically be changed into 2.46 fully-paid and non-assessable shares of Common Stock, without any action on the part of the holder thereof, and (b) each share of each series of Preferred Stock outstanding immediately prior to the Effective Time shall automatically be changed into 2.46 fully-paid and non-assessable shares of such relevant series of Preferred Stock, without any action on the part of the holder thereof (the “**Stock Split**”). At and after the Effective Time, each outstanding certificate that prior to the Stock Split represented shares of capital stock shall be deemed for all purposes to evidence ownership of and to represent the same number of shares of capital stock reflected on such certificate, and promptly following the Effective Time, the Corporation shall issue and deliver to each holder of capital stock (except to the extent that such class or series of capital stock is maintained in uncertificated form by the Corporation) one or more additional certificates representing the additional shares of capital stock

held by each such holder by virtue of the Stock Split, and, from and after the Effective Time, the registered owner thereof on the books and records of the Corporation shall have and be entitled to exercise any voting and other rights with respect to, and to receive any dividend and other distributions upon, all such shares of capital stock.

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

#### A. COMMON STOCK

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights, powers and preferences of the holders of the Preferred Stock set forth herein.

2. Voting. The holders of the Common Stock are entitled to one vote for each share of Common Stock held at all meetings of stockholders (and written actions in lieu of meetings); provided, however, that, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to the Certificate of Incorporation that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to the Certificate of Incorporation or pursuant to the General Corporation Law. There shall be no cumulative voting. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by (in addition to any vote of the holders of one or more series of Preferred Stock that may be required by the terms of the Certificate of Incorporation) the affirmative vote of the holders of shares of capital stock of the Corporation representing a majority of the votes represented by all outstanding shares of capital stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law. The holders of the Common Stock, the Series B Preferred Stock and the Series C Preferred Stock shall vote together as a single class for any and all votes required by Sections 242, 251, and 271 of the General Corporation Law, with holders of the Preferred Stock voting on an As Converted Basis (as defined below).

#### B. PREFERRED STOCK

Other than as specifically set forth in this Article Fourth, Part B to the contrary, the Preferred Stock shall have the following rights, preferences, powers, privileges and restrictions, qualifications and limitations. Unless otherwise indicated, references to “Sections” or “Subsections” in this Part B of this Article Fourth refer to Sections and Subsections of Part B of this Article Fourth.

##### 1. Dividends.

The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than dividends on shares of Common Stock payable in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Certificate of Incorporation) the holders of the Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Preferred Stock in an amount at least equal to (i) in the case of a dividend on Common Stock or

any class or series that is convertible into Common Stock, that dividend per share of Preferred Stock as would equal the product of (A) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (B) the number of shares of Common Stock issuable upon conversion of a share of Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend or (ii) in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Preferred Stock determined by (A) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such class or series) and (B) multiplying such fraction by an amount equal to the Applicable Original Issue Price (as defined below); provided that, if the Corporation declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the holders of Preferred Stock pursuant to this Section 1 shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest Preferred Stock dividend. The “**Applicable Original Issue Price**” shall mean: (i) with respect to the Series B Preferred Stock, (A) \$1.6496 per share (the “**Series B Original Issue Price**”), (ii) with respect to the Series C Preferred Stock, \$3.2462 per share (the “**Series C Original Issue Price**”), and (iii) with respect to the Series D Preferred Stock, \$3.7014 per share (the “**Series D Original Issue Price**”) in each case subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Preferred Stock.

2. Liquidation, Dissolution or Winding Up; Certain Mergers, Consolidations and Asset Sales.

2.1 Preferential Payments to Holders of Preferred Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event:

2.1.1 The holders of shares of Series D Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders before any payment shall be made to the holders of the Series B Preferred Stock, the Series C Preferred Stock or the Common Stock by reason of their ownership thereof, an amount per share equal to the greater of (a) 1.75 times the Series D Original Issue Price, plus any dividends declared but unpaid thereon, and (b) such amount per share as would have been payable had all shares of Series D Preferred Stock been converted into Common Stock pursuant to Section 4 immediately prior to such liquidation, dissolution, winding up or Deemed Liquidation Event (such amount payable referred to hereinafter as the “**Series D Liquidation Amount**”). If upon any such liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series D Preferred Stock the full amount to which they shall be entitled under this Subsection 2.1.1, the holders of shares of Series D Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution had their respective minimum Applicable Liquidation Amounts (as defined below) been paid.

2.1.2 The holders of shares of Series B Preferred Stock and Series C Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders before any payment shall be made to the holders of the Common Stock by reason of their ownership thereof, with respect to the Series B Preferred Stock, an amount per share equal to the greater of (a) two (2) times the Series B Original Issue Price, plus any dividends declared but unpaid thereon, or (b) such amount per share as would have been payable had all shares of Series B Preferred Stock been converted into Common Stock pursuant to Section 4 immediately prior to such liquidation, dissolution, winding up or Deemed Liquidation Event (such amount payable referred to hereinafter as the “**Series B Liquidation Amount**”), and with respect to Series C Preferred Stock, the greater of (x) one and one half (1.5) times the Series C Original Issue Price, or (y) such amount per share as would have been payable had all shares of Series C Preferred Stock been converted into Common Stock pursuant to Section 4 immediately prior to such liquidation, dissolution, winding up or Deemed Liquidation Event (such amount payable referred to hereinafter the “**Series C Liquidation Amount**”). If upon any such liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, after payment of the Series D Liquidation Amount, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series B Preferred Stock and Series C Preferred Stock the full amount to which they shall be entitled under this Subsection 2.1.2, the holders of shares of Series B Preferred Stock and Series C Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution had their respective minimum Applicable Liquidation Amounts (as defined below) been paid.

2.1.3 The “**Applicable Liquidation Amount**” shall mean, with respect to the Series B Preferred Stock, the Series B Liquidation Amount, with respect to the Series C Preferred Stock, the Series C Liquidation Amount, and with respect to the Series D Preferred Stock, the Series D Liquidation Amount.

2.2 Payments to Holders of Common Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, after the payment of all preferential amounts required to be paid to the holders of shares of Preferred Stock, the remaining assets of the Corporation available for distribution to its stockholders shall be distributed among the holders of shares of Common Stock, pro rata based on the number of shares held by each such holder.

2.3 Deemed Liquidation Events.

2.3.1 Definition. Each of the following events shall be considered a “**Deemed Liquidation Event**” unless the holders of at least sixty percent (60%) of the outstanding shares of Preferred Stock, voting together as a single class on an As Converted Basis (the “**Requisite Holders**”) elect otherwise by written notice sent to the Corporation at least 20 days prior to the effective date of any such event:

- (a) a merger or consolidation in which
  - (i) the Corporation is a constituent party or
  - (ii) a subsidiary of the Corporation is a constituent party and the Corporation issues shares of its capital stock pursuant to such merger or consolidation,

except any such merger or consolidation involving the Corporation or a subsidiary in which the shares of capital stock of the Corporation outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation; or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation; or

(b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole, or the sale or disposition (whether by merger, consolidation or otherwise) of one or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation

(c) a sale or other acquisition (excluding a merger or consolidation described in Subsection 2.3.1(a)(i) above), in a single transaction or series of related transactions, of a majority of the shares of capital stock of the Corporation outstanding immediately prior to such sale or acquisition, except any such sale or acquisition in which the shares of capital stock of the Corporation outstanding immediately prior to such sale or acquisition are sold or exchanged for shares of capital stock or other equity securities that represent, immediately following such sale or acquisition, at least a majority, by voting power, of the capital stock or other equity securities of (1) the acquiring entity, or (2) if the acquiring entity is a wholly owned subsidiary of another entity immediately following such merger or consolidation, the parent entity of such acquiring entity.

#### 2.3.2 Effecting a Deemed Liquidation Event.

(a) The Corporation shall not have the power to effect a Deemed Liquidation Event referred to in Subsection 2.3.1(a) (i) unless the agreement or plan of merger or consolidation for such transaction (the “**Merger Agreement**”) provides that the consideration payable to the stockholders of the Corporation shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2.1 and 2.2.

(b) In the event of a Deemed Liquidation Event referred to in Subsection 2.3.1(a)(ii) or 2.3.1(b), if the Corporation does not effect a dissolution of the Corporation under the General Corporation Law within ninety (90) days after such Deemed Liquidation Event, then (i) the Corporation shall send a written notice to each holder of Preferred Stock no later than the ninetieth (90th) day after the Deemed Liquidation Event advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of the following clause; (ii) to require the redemption of such shares of Preferred Stock based on the respective preferences set forth in Section 2.1, and (iii) if the Requisite Holders so request in a written instrument delivered to the Corporation not later than one hundred twenty (120) days after such Deemed Liquidation Event, the Corporation shall use the consideration received by the Corporation for such Deemed Liquidation Event (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors of the Corporation), together with any other assets of the Corporation available for distribution to its

stockholders, all to the extent permitted by Delaware law governing distributions to stockholders (the “**Available Proceeds**”), on the one hundred fiftieth (150<sup>th</sup>) day after such Deemed Liquidation Event (the “**Redemption Date**”), to redeem all outstanding shares of Preferred Stock at prices per share equal to the Applicable Liquidation Amounts (the “**Redemption Price**”) in accordance with the respective preferences set forth in Subsection 2.1. Notwithstanding the foregoing, in the event of a redemption pursuant to the preceding sentence, if the Available Proceeds are not sufficient to redeem all outstanding shares of Preferred Stock, the Corporation shall redeem each holder’s shares of Preferred Stock in accordance with the respective preferences set forth in Subsection 2.1 to the fullest extent of such Available Proceeds, and shall redeem the remaining shares as soon as it may lawfully do so under Delaware law governing distributions to stockholders. Prior to the distribution or redemption provided for in this Subsection 2.3.2.(b), the Corporation shall not expend or dissipate the consideration received for such Deemed Liquidation Event, except to discharge expenses incurred in connection with such Deemed Liquidation Event or in the ordinary course of business.

2.3.3 Provisions Applicable to Redemption. The following provisions shall apply to any redemption occurring pursuant to Subsection 2.3.2.:

(a) Redemption Notice. The Corporation shall send written notice of the redemption (the “**Redemption Notice**”) to each holder of record of Preferred Stock not less than ten (10) days prior to the Redemption Date. Each Redemption Notice shall state:

(i) the number of shares of Preferred Stock held by the holder that the Corporation shall redeem on the Redemption Date specified in the Redemption Notice;

(ii) the Redemption Date and the Redemption Price of the shares of Preferred Stock being so redeemed; and

(iii) for holders of shares in certificated form, that the holder is to surrender to the Corporation, in the manner and at the place designated, his, her or its certificate or certificates representing the shares of Preferred Stock to be redeemed.

(b) Surrender of Certificates; Payment. On or before the applicable Redemption Date, each holder of shares of Preferred Stock to be redeemed on such Redemption Date, shall, if a holder of shares in certificated form, surrender the certificate or certificates representing such shares (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation, in the manner and at the place designated in the Redemption Notice, and thereupon the Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof.

(c) Rights Subsequent to Redemption. If the Redemption Notice shall have been duly given, and if on the applicable Redemption Date the Redemption Price payable upon redemption of the shares of Preferred Stock to be redeemed on such Redemption Date is paid or tendered for payment or deposited with an independent payment



agent so as to be available therefor in a timely manner, then notwithstanding that any certificates evidencing any of the shares of Preferred Stock so called for redemption shall not have been surrendered, dividends with respect to such shares of Preferred Stock shall cease to accrue after such Redemption Date and all rights with respect to such shares shall forthwith after the Redemption Date terminate, except only the right of the holders to receive the Redemption Price without interest upon surrender of any such certificate or certificates therefor.

2.3.4 Amount Deemed Paid or Distributed. The amount deemed paid or distributed to the holders of capital stock of the Corporation upon any such merger, consolidation, sale, transfer, exclusive license, other disposition or redemption shall be the cash or the value of the property, rights or securities paid or distributed to such holders by the Corporation or the acquiring person, firm or other entity. The value of such property, rights or securities shall be determined in good faith by the Board of Directors of the Corporation.

2.3.5 Allocation of Escrow and Contingent Consideration. In the event of a Deemed Liquidation Event pursuant to Subsection 2.3.1(a)(i), if any portion of the consideration payable to the stockholders of the Corporation is payable only upon satisfaction of contingencies (the “**Additional Consideration**”), the Merger Agreement shall provide that (a) the portion of such consideration that is not Additional Consideration (such portion, the “**Initial Consideration**”) shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2.1 and 2.2 as if the Initial Consideration were the only consideration payable in connection with such Deemed Liquidation Event; and (b) any Additional Consideration which becomes payable to the stockholders of the Corporation upon satisfaction of such contingencies shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2.1 and 2.2 after taking into account the previous payment of the Initial Consideration as part of the same transaction. For the purposes of this Subsection 2.3.4, consideration placed into escrow or retained as holdback to be available for satisfaction of indemnification or similar obligations in connection with such Deemed Liquidation Event shall be deemed to be Additional Consideration.

### 3. Voting.

3.1 General. On any matter presented to the stockholders of the Corporation for their action or consideration at any meeting of stockholders of the Corporation (or by written consent of stockholders in lieu of meeting), each holder of outstanding shares of Preferred Stock shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Preferred Stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter (referred to herein as voting on an “**As Converted Basis**”). Except as provided by law or by the other provisions of the Certificate of Incorporation, holders of Series B Preferred Stock and Series C Preferred Stock shall vote together with the holders of Common Stock as a single class.

3.2 Election of Directors. The holders of record of the shares of the Common Stock and Preferred Stock, voting together as a single class on an As Converted Basis (the “**Voting Stockholders**”), shall be entitled to elect all of the directors of the Corporation. Any director elected as provided in the preceding sentence may be removed without cause by, and only by, the affirmative vote of the Voting Stockholders, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders. If the Voting Stockholders fail to elect a sufficient number of directors to fill all directorships for which

they are entitled to elect directors pursuant to the first sentence of this Section 3.2, then any directorship not so filled shall remain vacant until such time as the Voting Stockholders elect a person to fill such directorship by vote or written consent in lieu of a meeting; and no such directorship may be filled by stockholders of the Corporation other than by the Voting Stockholders. Except as otherwise provided in this Section 3.2, a vacancy in any directorship filled by the Voting Stockholders shall be filled only by vote or written consent in lieu of a meeting of the Voting Stockholders or by any remaining directors.

3.3 Series B Preferred Stock Protective Provisions. At any time when shares of Series B Preferred Stock are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the holders of at least a majority of the then outstanding shares of Series B Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class, and any such act or transaction entered into without such consent or vote shall be null and void *ab initio*, and of no force or effect:

3.3.1 alter or change the rights, preferences, privileges or restrictions provided for the benefit of the shares of Series B Preferred Stock to adversely affect the shares of Series B Preferred Stock;

3.3.2 (i) create, or authorize the creation of, or issue or obligate itself to issue shares of any equity security, including any other security convertible into or exercisable for any equity security, having rights, preferences or privileges on par with or senior to the Series B Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends and rights of redemption, unless such security is also on par with or senior to the Series C Preferred Stock, (ii) increase the authorized number of shares of either Series B Preferred Stock or Series C Preferred Stock;

3.3.3 (i) reclassify, alter or amend any security of the Corporation that is *pari passu* with the Series B Preferred Stock in respect of the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior to the Series B Preferred Stock in respect of any such right, preference, or privilege, unless such security is also on par with or senior to the Series C Preferred Stock or (ii) reclassify, alter or amend any security of the Corporation that is junior to the Series B Preferred Stock in respect of the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior to or *pari passu* with the Series B Preferred Stock in respect of any such right, preference or privilege, unless such security is also on par with or senior to the Series C Preferred Stock or (iii) reclassify, alter or amend the Series C Preferred Stock of the Corporation; or

3.3.4 purchase or redeem (or permit any subsidiary to purchase or redeem) or pay or declare any dividend or make any distribution on, any shares of Series C Preferred Stock.

3.4 Series C Preferred Stock Protective Provisions. At any time when shares of Series C Preferred Stock are outstanding, the Corporation shall not, either directly or

indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the holders of at least a majority of the then outstanding shares of Series C Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class, and any such act or transaction entered into without such consent or vote shall be null and void *ab initio*, and of no force or effect:

3.4.1 alter or change the rights, preferences, privileges or restrictions provided for the benefit of the shares of Series C Preferred Stock to adversely affect the shares of Series C Preferred Stock;

3.4.2 (i) create, or authorize the creation of, or issue or obligate itself to issue shares of any equity security, including any other security convertible into or exercisable for any equity security, having rights, preferences or privileges on par with or senior to the Series C Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends and rights of redemption, unless such security is also on par with or senior to the Series B Preferred Stock, (ii) increase the authorized number of shares of either Series B Preferred Stock or Series C Preferred Stock; or (iii) issue additional shares of Series B Preferred Stock, or (iv) issue additional shares of Series C Preferred Stock after the date hereof;

3.4.3 (i) reclassify, alter or amend any security of the Corporation that is *pari passu* with the Series C Preferred Stock in respect of the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior to the Series C Preferred Stock in respect of any such right, preference, or privilege, unless such security is also on par with or senior to the Series B Preferred Stock, (ii) reclassify, alter or amend any security of the Corporation that is junior to the Series C Preferred Stock in respect of the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior to or *pari passu* with the Series C Preferred Stock in respect of any such right, preference or privilege, unless such security is also on par with or senior to the Series B Preferred Stock, or (iii) reclassify, alter or amend the Series B Preferred Stock of the Corporation; or

3.4.4 purchase or redeem (or permit any subsidiary to purchase or redeem) or pay or declare any dividend or make any distribution on, any shares of Series B Preferred Stock.

3.5 Series D Preferred Stock Protective Provisions. At any time when shares of Series D Preferred Stock are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the holders of at least a majority of the then outstanding shares of Series D Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class, and any such act or transaction entered into without such consent or vote shall be null and void *ab initio*, and of no force or effect:

3.5.1 alter or change the rights, preferences, privileges or restrictions provided for the benefit of the shares of Series D Preferred Stock to adversely affect the shares of Series D Preferred Stock;

3.5.2 (i) create, or authorize the creation of, or issue or obligate itself to issue shares of any equity security, including any other security convertible into or exercisable for any equity security, having rights, preferences or privileges on par with or senior to the Series D Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends and rights of redemption, (ii) increase the authorized number of shares of Series D Preferred Stock; or (iii) issue additional shares of Series D Preferred Stock after the date hereof;

3.5.3 (i) reclassify, alter or amend any security of the Corporation that is *pari passu* with the Series D Preferred Stock in respect of the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior to the Series D Preferred Stock in respect of any such right, preference, or privilege, (ii) reclassify, alter or amend any security of the Corporation that is junior to the Series D Preferred Stock in respect of the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior to or *pari passu* with the Series D Preferred Stock in respect of any such right, preference or privilege, or (iii) reclassify, alter or amend the Series D Preferred Stock of the Corporation;

3.5.4 purchase or redeem (or permit any subsidiary to purchase or redeem) or pay or declare any dividend or make any distribution on, any shares of Series B Preferred Stock or Series C Preferred Stock; or

3.5.5 effect the closing of the first sale of Common Stock of the Company to the public effected pursuant to a registration statement filed with, and declared effective by, the Securities and Exchange Commission under the Securities Act of 1933, as amended (an “**IPO**”) (whether or not such IPO is a Qualified IPO).

3.6 Preferred Stock Protective Provisions. At any time when shares of Preferred Stock are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of, (i) in the case of Subsection 3.6.1 and Subsection 3.6.2, holders of at least a majority of the then outstanding shares of Series B Preferred Stock and Series C Preferred Stock, voting together as a single class on an As Converted Basis, (ii) and in the case of all other Subsections of this Subsection 3.6, the Requisite Holders, given in writing or by vote at a meeting, consenting or voting (as the case may be), and any such act or transaction entered into without such consent or vote shall be null and void *ab initio*, and of no force or effect.

3.6.1 (i) reclassify, alter or amend any existing security of the Corporation that is *pari passu* with the Series B Preferred Stock and/or Series C Preferred Stock in respect of the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior to both the Series B Preferred Stock and

the Series C Preferred Stock in respect of any such right, preference, or privilege or (ii) reclassify, alter or amend any existing security of the Corporation that is junior to the Series B Preferred Stock and/or Series C Preferred Stock in respect of the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior to or *pari passu* with both the Series B Preferred Stock and the Series C Preferred Stock in respect of any such right, preference or privilege;

3.6.2 create, or authorize the creation of, or issue or obligate itself to issue shares of any equity security, including any other security convertible into or exercisable for any equity security, having rights, preferences or privileges on par with or senior to both the Series B Preferred Stock and Series C Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends and rights of redemption;

3.6.3 purchase or redeem (or permit any subsidiary to purchase or redeem) or pay or declare any dividend or make any distribution on, any shares of capital stock of the Corporation other than (i) redemptions of or dividends or distributions on the Preferred Stock as expressly authorized herein, (ii) dividends or other distributions payable on the Common Stock solely in the form of additional shares of Common Stock and (iii) repurchases of stock from former employees, officers, directors, consultants or other persons who performed services for the Corporation or any subsidiary in connection with the cessation of such employment or service at the lower of the original purchase price or the then-current fair market value thereof;

3.6.4 authorize the issuance of more than 3,479,260 shares of the Company's common stock, in the aggregate (as adjusted for stock splits, stock dividends, reverse splits, share combinations and the like) under the terms of the Company's 2013 Incentive Plan or any other employee equity plan approved by the Company's shareholders and Board of Directors;

3.6.5 increase or decrease the authorized number of directors constituting the Board of Directors;

3.6.6 create, or hold capital stock in, any subsidiary that is not wholly owned (either directly or through one or more other subsidiaries) by the Corporation, or sell, transfer or otherwise dispose of any capital stock of any direct or indirect subsidiary of the Corporation, or permit any direct or indirect subsidiary to sell, lease, transfer, exclusively license or otherwise dispose (in a single transaction or series of related transactions) of all or substantially all of the assets of such subsidiary; or

3.6.7 amend, alter or repeal any provision of the Certificate of Incorporation or Bylaws of the Corporation in a manner that adversely affects the powers, preferences or rights of the Series B Preferred Stock, the Series C Preferred Stock, or the Series D Preferred Stock.

#### 4. Optional Conversion.

The holders of the Preferred Stock shall have conversion rights as follows (the “**Conversion Rights**”):

##### 4.1 Right to Convert.

4.1.1 Conversion Ratio. Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable shares of Common Stock as is determined by dividing the Applicable Original Issue Price by the Applicable Conversion Price (as defined below) in effect at the time of conversion. The “**Applicable Conversion Price**” shall mean: (i) with respect to the Series B Preferred Stock, (A) \$1.6496 per share (the “**Series B Conversion Price**”), (ii) with respect to the Series C Preferred Stock, \$3.2462 per share (the “**Series C Conversion Price**”), and with respect to the Series D Preferred Stock, \$3.7014 per share (the “**Series D Conversion Price**”). Such initial Applicable Conversion Price, and the rate at which shares of Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment as provided below.

4.1.2 Termination of Conversion Rights. In the event of a liquidation, dissolution or winding up of the Corporation or a Deemed Liquidation Event, the Conversion Rights shall terminate at the close of business on the last full day preceding the date fixed for the payment of any such amounts distributable on such event to the holders of Preferred Stock.

4.2 Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of the Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the fair market value of a share of Common Stock as determined in good faith by the Board of Directors of the Corporation. Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of shares of Preferred Stock the holder is at the time converting into Common Stock and the aggregate number of shares of Common Stock issuable upon such conversion.

##### 4.3 Mechanics of Conversion.

4.3.1 Notice of Conversion. In order for a holder of Preferred Stock to voluntarily convert shares of Preferred Stock into shares of Common Stock, such holder shall (a) provide written notice to the Corporation’s transfer agent at the office of the transfer agent for the Preferred Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent) that such holder elects to convert all or any number of such holder’s shares of Preferred Stock and, if applicable, any event on which such conversion is contingent and (b) if such holder’s shares are certificated, surrender the certificate or certificates for such shares of Preferred Stock (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the transfer agent for the Preferred Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent). Such notice shall state such holder’s name or the names of the nominees in which such holder wishes the shares of Common Stock to be issued. If required by the Corporation, any certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the transfer agent (or by the Corporation if the Corporation serves as its

own transfer agent) of such notice and, if applicable, certificates (or lost certificate affidavit and agreement) shall be the time of conversion (the “**Conversion Time**”), and the shares of Common Stock issuable upon conversion of the specified shares shall be deemed to be outstanding of record as of such date. The Corporation shall, as soon as practicable after the Conversion Time (i) issue and deliver to such holder of Preferred Stock, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion in accordance with the provisions hereof and a certificate for the number (if any) of the shares of Preferred Stock represented by the surrendered certificate that were not converted into Common Stock, (ii) pay in cash such amount as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and (iii) pay all declared but unpaid dividends on the shares of Preferred Stock converted.

4.3.2 Reservation of Shares. The Corporation shall at all times when the Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to the Certificate of Incorporation. Before taking any action which would cause an adjustment reducing the Applicable Conversion Price below the then par value of the shares of Common Stock issuable upon conversion of the corresponding Preferred Stock, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and non-assessable shares of Common Stock at such adjusted Applicable Conversion Price.

4.3.3 Effect of Conversion. All shares of Preferred Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Conversion Time, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor, to receive payment in lieu of any fraction of a share otherwise issuable upon such conversion as provided in Subsection 4.2 and to receive payment of any dividends declared but unpaid thereon. Any shares of Preferred Stock so converted shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Preferred Stock accordingly.

4.3.4 No Further Adjustment. Upon any such conversion, no adjustment to the Applicable Conversion Price shall be made for any declared but unpaid dividends on the Preferred Stock surrendered for conversion or on the Common Stock delivered upon conversion.

4.3.5 Taxes. The Corporation shall pay any and all issue and other similar taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Preferred Stock pursuant to this Section 4. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer

involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

4.4 Adjustments to Applicable Conversion Price for Diluting Issues.

4.4.1 Special Definitions. For purposes of this Article Fourth, the following definitions shall apply:

(a) “**Options**” shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

(b) “**Stock Split Date**” shall mean the date on which this Fifth Amended and Restated Certificate of Incorporation is filed.

(c) “**Convertible Securities**” shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options.

(d) “**Additional Shares of Common Stock**” shall mean all shares of Common Stock issued (or, pursuant to Subsection 4.4.3 below, deemed to be issued) by the Corporation after the Stock Split Date, other than (1) the following shares of Common Stock and (2) shares of Common Stock deemed issued pursuant to the following Options and Convertible Securities (clauses (1) and (2), collectively, “**Exempted Securities**”):

(i) shares of Common Stock, Options or Convertible Securities issued as a dividend or distribution on Preferred Stock;

(ii) shares of Common Stock, Options or Convertible Securities issued by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock that is covered by Subsection 4.5, 4.6, 4.7 or 4.8;

(iii) shares of Common Stock or Options issued to employees or directors of, or consultants or advisors to, the Corporation or any of its subsidiaries pursuant to a plan, agreement or arrangement approved by the Board of Directors of the Corporation;

(iv) shares of Common Stock or Convertible Securities actually issued upon the exercise of Options or shares of Common Stock actually issued upon the conversion or exchange of Convertible Securities, in each case provided such issuance is pursuant to the terms of such Option or Convertible Security;

(v) shares of Common Stock, Options or Convertible Securities issued to banks, equipment lessors or other financial institutions, or to real property lessors, pursuant to a debt financing, equipment leasing or real property leasing transaction approved by the Board of Directors of the Corporation;



(vi) shares of Common Stock, Options or Convertible Securities issued to suppliers or third party service providers in connection with the provision of goods or services pursuant to transactions approved by the Board of Directors of the Corporation;

(vii) shares of Common Stock, Options or Convertible Securities issued pursuant to the acquisition of another corporation by the Corporation by merger, purchase of substantially all of the assets or other reorganization or to a joint venture agreement, provided that such issuances are approved by the Board of Directors of the Corporation; or

(viii) shares of Common Stock, Options or Convertible Securities issued in connection with sponsored research, collaboration, technology license, development, OEM, marketing or other similar agreements or strategic partnerships approved by the Board of Directors of the Corporation.

4.4.2 No Adjustment of Applicable Conversion Price. No adjustment in the Applicable Conversion Price shall be made as the result of the issuance or deemed issuance of Additional Shares of Common Stock if the Corporation receives written notice from (i) in the case of an adjustment to the Series B Conversion Price, a majority of the then outstanding shares of Series B Preferred Stock, (ii) in the case of an adjustment to the Series C Conversion Price, a majority of the then outstanding shares of Series C Preferred Stock, and/or (ii) in the case of an adjustment to the Series D Conversion Price, a majority of the then outstanding shares of Series D Preferred Stock, agreeing that no such adjustment shall be made as the result of the issuance or deemed issuance of such Additional Shares of Common Stock.

4.4.3 Deemed Issue of Additional Shares of Common Stock.

(a) If the Corporation at any time or from time to time after the Stock Split Date shall issue any Options or Convertible Securities (excluding Options or Convertible Securities which are themselves Exempted Securities) or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto, assuming the satisfaction of any conditions to exercisability, convertibility or exchangeability but without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date.

(b) If the terms of any Option or Convertible Security, the issuance of which resulted in an adjustment to the Applicable Conversion Price pursuant to the terms of Subsection 4.4.4, are revised as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase or decrease in the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any such Option or Convertible Security or (2) any increase or decrease in the consideration payable to the Corporation

upon such exercise, conversion and/or exchange, then, effective upon such increase or decrease becoming effective, the Applicable Conversion Price computed upon the original issue of such Option or Convertible Security (or upon the occurrence of a record date with respect thereto) shall be readjusted to such Applicable Conversion Price as would have obtained had such revised terms been in effect upon the original date of issuance of such Option or Convertible Security. Notwithstanding the foregoing, no readjustment pursuant to this clause (b) shall have the effect of increasing the Applicable Conversion Price to an amount which exceeds the lower of (i) the Applicable Conversion Price in effect immediately prior to the original adjustment made as a result of the issuance of such Option or Convertible Security, or (ii) the Applicable Conversion Price that would have resulted from any issuances of Additional Shares of Common Stock (other than deemed issuances of Additional Shares of Common Stock as a result of the issuance of such Option or Convertible Security) between the original adjustment date and such readjustment date.

(c) If the terms of any Option or Convertible Security (excluding Options or Convertible Securities which are themselves Exempted Securities), the issuance of which did not result in an adjustment to the Applicable Conversion Price pursuant to the terms of Subsection 4.4.4 (either because the consideration per share (determined pursuant to Subsection 4.4.5) of the Additional Shares of Common Stock subject thereto was equal to or greater than the Applicable Conversion Price then in effect, or because such Option or Convertible Security was issued before the Stock Split Date), are revised after the Stock Split Date as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any such Option or Convertible Security or (2) any decrease in the consideration payable to the Corporation upon such exercise, conversion or exchange, then such Option or Convertible Security, as so amended or adjusted, and the Additional Shares of Common Stock subject thereto (determined in the manner provided in Subsection 4.4.3(a)) shall be deemed to have been issued effective upon such increase or decrease becoming effective.

(d) Upon the expiration or termination of any unexercised Option or unconverted or unexchanged Convertible Security (or portion thereof) which resulted (either upon its original issuance or upon a revision of its terms) in an adjustment to the Applicable Conversion Price pursuant to the terms of Subsection 4.4.4, the Applicable Conversion Price shall be readjusted to such Applicable Conversion Price as would have obtained had such Option or Convertible Security (or portion thereof) never been issued.

(e) If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, is calculable at the time such Option or Convertible Security is issued or amended but is subject to adjustment based upon subsequent events, any adjustment to the Applicable Conversion Price provided for in this Subsection 4.4.3 shall be effected at the time of such issuance or amendment based on such number of shares or amount of consideration without regard to any provisions for subsequent adjustments (and any subsequent adjustments shall be treated as provided in clauses (b) and (c) of this Subsection 4.4.3). If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, cannot be calculated

at all at the time such Option or Convertible Security is issued or amended, any adjustment to the Applicable Conversion Price that would result under the terms of this Subsection 4.4.3 at the time of such issuance or amendment shall instead be effected at the time such number of shares and/or amount of consideration is first calculable (even if subject to subsequent adjustments), assuming for purposes of calculating such adjustment to the Applicable Conversion Price that such issuance or amendment took place at the time such calculation can first be made.

4.4.4 Adjustment of Applicable Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event the Corporation shall at any time after the Stock Split Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Subsection 4.4.3), without consideration or for a consideration per share less than the Applicable Conversion Price in effect immediately prior to such issue, then the Applicable Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest one-thousandth of a cent) determined in accordance with the following formula:

$$CP_2 = CP_1 * (A + B) \div (A + C).$$

For purposes of the foregoing formula, the following definitions shall apply:

(a) "CP<sub>2</sub>" shall mean the Applicable Conversion Price in effect immediately after such issue of Additional Shares of Common Stock

(b) "CP<sub>1</sub>" shall mean the Applicable Conversion Price in effect immediately prior to such issue of Additional Shares of Common Stock;

(c) "A" shall mean the number of shares of Common Stock outstanding immediately prior to such issue of Additional Shares of Common Stock (treating for this purpose as outstanding all shares of Common Stock issuable upon exercise of Options outstanding immediately prior to such issue or upon conversion or exchange of Convertible Securities (including the Preferred Stock) outstanding (assuming exercise of any outstanding Options therefor) immediately prior to such issue);

(d) "B" shall mean the number of shares of Common Stock that would have been issued if such Additional Shares of Common Stock had been issued at a price per share equal to CP<sub>1</sub> (determined by dividing the aggregate consideration received by the Corporation in respect of such issue by CP<sub>1</sub>); and

(e) "C" shall mean the number of such Additional Shares of Common Stock issued in such transaction.

4.4.5 Determination of Consideration. For purposes of this Subsection 4.4, the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(a) Cash and Property: Such consideration shall:

(i) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation, excluding amounts paid or payable for accrued interest;

(ii) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors of the Corporation; and

(iii) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (i) and (ii) above, as determined in good faith by the Board of Directors of the Corporation.

(b) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Subsection 4.4.3, relating to Options and Convertible Securities, shall be determined by dividing:

(i) The total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(ii) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities.

4.4.6 Multiple Closing Dates. In the event the Corporation shall issue on more than one date Additional Shares of Common Stock that are a part of one transaction or a series of related transactions and that would result in an adjustment to the Applicable Conversion Price pursuant to the terms of Subsection 4.4.4, and such issuance dates occur within a period of no more than six (6) months from the first such issuance to the final such issuance, then, upon the final such issuance, the Applicable Conversion Price shall be readjusted to give effect to all such issuances as if they occurred on the date of the first such issuance (and without giving effect to any additional adjustments as a result of any such subsequent issuances within such period).

4.5 Adjustment for Stock Splits and Combinations. If the Corporation shall at any time or from time to time after the Stock Split Date effect a subdivision of the outstanding Common Stock, the Applicable Conversion Price in effect immediately before that subdivision shall be proportionately decreased so that the number of shares of Common Stock

issuable on conversion of each share of such series shall be increased in proportion to such increase in the aggregate number of shares of Common Stock outstanding. If the Corporation shall at any time or from time to time after the Stock Split Date combine the outstanding shares of Common Stock, the Applicable Conversion Price in effect immediately before the combination shall be proportionately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in the aggregate number of shares of Common Stock outstanding. Any adjustment under this Subsection 4.5 shall become effective at the close of business on the date the subdivision or combination becomes effective.

4.6 Adjustment for Certain Dividends and Distributions. In the event the Corporation at any time or from time to time after the Stock Split Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable on the Common Stock in additional shares of Common Stock, then and in each such event the Applicable Conversion Price in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Applicable Conversion Price then in effect by a fraction:

(1) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and

(2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution.

Notwithstanding the foregoing (a) if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Applicable Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Applicable Conversion Price shall be adjusted pursuant to this Subsection 4.6 as of the time of actual payment of such dividends or distributions; and (b) that no such adjustment shall be made if the holders of Preferred Stock simultaneously receive a dividend or other distribution of shares of Common Stock in a number equal to the number of shares of Common Stock as they would have received if all outstanding shares of Preferred Stock had been converted into Common Stock on the date of such event.

4.7 Adjustments for Other Dividends and Distributions. In the event the Corporation at any time or from time to time after the Stock Split Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation (other than a distribution of shares of Common Stock in respect of outstanding shares of Common Stock) or in other property and the provisions of Section 1 do not apply to such dividend or distribution, then and in each such event the holders of Preferred Stock shall receive, simultaneously with the distribution to the holders of Common Stock, a dividend or other distribution of such securities or other property in an amount equal to the amount of such securities or other property as they would have received if all outstanding shares of Preferred Stock had been converted into Common Stock on the date of such event.

4.8 Adjustment for Merger or Reorganization, etc. Subject to the provisions of Subsection 2.3, if there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Corporation in which the Common Stock (but not the Preferred Stock) is converted into or exchanged for securities, cash or other property (other than a transaction covered by Subsections 4.4, 4.6 or 4.7), then, following any such reorganization, recapitalization, reclassification, consolidation or merger, each share of Preferred Stock shall thereafter be convertible in lieu of the Common Stock into which it was convertible prior to such event into the kind and amount of securities, cash or other property which a holder of the number of shares of Common Stock of the Corporation issuable upon conversion of one share of Preferred Stock immediately prior to such reorganization, recapitalization, reclassification, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors of the Corporation) shall be made in the application of the provisions in this Section 4 with respect to the rights and interests thereafter of the holders of the Preferred Stock, to the end that the provisions set forth in this Section 4 (including provisions with respect to changes in and other adjustments of the Applicable Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of the Preferred Stock. For the avoidance of doubt, nothing in this Subsection 4.8 shall be construed as preventing the holders of Preferred Stock from seeking any appraisal rights to which they are otherwise entitled under the General Corporation Law in connection with a merger triggering an adjustment hereunder, nor shall this Subsection 4.8 be deemed conclusive evidence of the fair value of the shares of any class or series of Preferred Stock in any such appraisal proceeding.

4.9 Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Applicable Conversion Price pursuant to this Section 4, the Corporation at its expense shall, as promptly as reasonably practicable but in any event not later than twenty (20) days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Preferred Stock a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property into which the Preferred Stock is convertible) and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, as promptly as reasonably practicable after the written request at any time of any holder of Preferred Stock (but in any event not later than twenty (20) days thereafter), furnish or cause to be furnished to such holder a certificate setting forth (i) the Applicable Conversion Price then in effect, and (ii) the number of shares of Common Stock and the amount, if any, of other securities, cash or property which then would be received upon the conversion of Preferred Stock.

4.10 Notice of Record Date. In the event:

- (a) the Corporation shall take a record of the holders of its Common Stock (or other capital stock or securities at the time issuable upon conversion of the Preferred Stock) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of capital stock of any class or any other securities, or to receive any other security; or
- (b) of any capital reorganization of the Corporation, any reclassification of the Common Stock of the Corporation, or any Deemed Liquidation Event; or
- (c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Corporation,

then, and in each such case, the Corporation will send or cause to be sent to the holders of the Preferred Stock a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up is proposed to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other capital stock or securities at the time issuable upon the conversion of the Preferred Stock) shall be entitled to exchange their shares of Common Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up, and the amount per share and character of such exchange applicable to the Preferred Stock and the Common Stock. Such notice shall be sent at least ten (10) days prior to the record date or effective date for the event specified in such notice.

#### 5. Mandatory Conversion.

5.1 Trigger Events. Upon either (a) subject to Subsection 3.5.5, the closing of the sale of shares of Common Stock to the public at a price of at least \$9.74 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Common Stock), in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (a “**Qualified IPO**”), or (b) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least 66.66% of the then outstanding shares of Preferred Stock (the time of such closing or the date and time specified or the time of the event specified in such vote or written consent is referred to herein as the “**Mandatory Conversion Time**”), then (i) all outstanding shares of Preferred Stock shall automatically be converted into shares of Common Stock, at the then effective conversion rate as calculated pursuant to Subsection 4.1.1, and (ii) such shares may not be reissued by the Corporation.

5.2 Procedural Requirements. All holders of record of shares of Preferred Stock shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such shares of Preferred Stock pursuant to this Section 5. Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Upon receipt of such notice, each holder of shares of Preferred Stock in certificated form shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, any certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Preferred Stock converted pursuant to Subsection 5.1, including the rights, if any, to receive notices and vote (other than as a holder of Common Stock), will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender any certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of any certificate or certificates of such holders (or lost certificate affidavit and agreement)

therefor, to receive the items provided for in the next sentence of this Subsection 5.2. As soon as practicable after the Mandatory Conversion Time and, if applicable, the surrender of any certificate or certificates (or lost certificate affidavit and agreement) for Preferred Stock, the Corporation shall (a) issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof and (b) pay cash as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and the payment of any declared but unpaid dividends on the shares of Preferred Stock converted. Such converted Preferred Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Preferred Stock accordingly.

6. Redeemed or Otherwise Acquired Shares. Any shares of Preferred Stock that are redeemed or otherwise acquired by the Corporation or any of its subsidiaries shall be automatically and immediately cancelled and retired and shall not be reissued, sold or transferred. Neither the Corporation nor any of its subsidiaries may exercise any voting or other rights granted to the holders of Preferred Stock following redemption.

7. Waiver. Any of the rights, powers, preferences and other terms of the Preferred Stock set forth herein may be waived on behalf of all holders of Preferred Stock by the affirmative written consent or vote of the Requisite Holders, except for the series voting rights set forth in Sections 3.3 and 3.4.

8. Notices. Any notice required or permitted by the provisions of this Article Fourth to be given to a holder of shares of Preferred Stock shall be mailed, postage prepaid, to the post office address last shown on the records of the Corporation, or given by electronic communication in compliance with the provisions of the General Corporation Law, and shall be deemed sent upon such mailing or electronic transmission.

**FIFTH:** Subject to any additional vote required by the Certificate of Incorporation or Bylaws, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of the Corporation.

**SIXTH:** Subject to any additional vote required by the Certificate of Incorporation, the number of directors of the Corporation shall be determined in the manner set forth in the Bylaws of the Corporation.

**SEVENTH:** Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

**EIGHTH:** Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

**NINTH:** To the fullest extent permitted by law, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the General Corporation Law or any other law of the



State of Delaware is amended after approval by the stockholders of this Article Ninth to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law as so amended.

Any repeal or modification of the foregoing provisions of this Article Ninth by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

**TENTH:** To the fullest extent permitted by applicable law, the Corporation is authorized to provide indemnification of (and advancement of expenses to) directors, officers and agents of the Corporation (and any other persons to which General Corporation Law permits the Corporation to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the General Corporation Law.

Any amendment, repeal or modification of the foregoing provisions of this Article Tenth shall not adversely affect any right or protection of any director, officer or other agent of the Corporation existing at the time of such amendment, repeal or modification.

**ELEVENTH:** The Corporation renounces, to the fullest extent permitted by law, any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An “**Excluded Opportunity**” is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of, (i) any director of the Corporation who is not, and has not been, an employee of the Corporation or any of its subsidiaries, or (ii) any holder of Preferred Stock or any partner, member, director, stockholder, employee or agent of any such holder, other than someone who is, or has been, an employee of the Corporation or any of its subsidiaries (collectively, “**Covered Persons**”), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and solely in such Covered Person’s capacity as a director of the Corporation.

**TWELFTH:** Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery in the State of Delaware shall be the sole and exclusive forum for any stockholder (including a beneficial owner) to bring (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation’s stockholders, (iii) any action asserting a claim against the Corporation, its directors, officers or employees arising pursuant to any provision of the Delaware General Corporation Law or the Corporation’s certificate of incorporation or bylaws or (iv) any action asserting a claim against the Corporation, its directors, officers or employees governed by the internal affairs doctrine, except for, as to each of (i) through (iv) above, any claim as to which the Court of Chancery determines that there is an indispensable party not subject to the jurisdiction of the Court of Chancery (and the indispensable party does not consent to the personal jurisdiction of the Court of Chancery within ten days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than the

Court of Chancery, or for which the Court of Chancery does not have subject matter jurisdiction. If any provision or provisions of this Article Twelfth shall be held to be invalid, illegal or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Article Twelfth (including, without limitation, each portion of any sentence of this Article Twelfth containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) and the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby.

**THIRTEENTH:** Any disinterested failure by a director to satisfy section 365(a) of the DGCL shall not, for the purposes of §102(b)(7) or §145 of the DGCL and Articles NINTH and TENTH hereof, constitute an act or omission by such director not in good faith, or a breach of the duty of loyalty by such director. Any repeal or modification of the foregoing provisions of this Article THIRTEENTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

\* \* \*

**AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
VITAL FARMS, INC.  
A PUBLIC BENEFIT CORPORATION**

Russell Diez-Canseco hereby certifies that:

**ONE:** The original date of filing the original Certificate of Incorporation of this company with the Secretary of State of the State of Delaware was June 6, 2013.

**TWO:** He is the duly elected and acting Chief Executive Officer of **VITAL FARMS, INC.**, a Delaware corporation.

**THREE:** The Amended and Restated Certificate of Incorporation, attached hereto as Exhibit A, is incorporated herein by reference, and restates, integrates and further amends the provisions of the Amended and Restated Certificate of Incorporation as previously amended or supplemented.

**FOUR:** This Amended and Restated Certificate of Incorporation has been duly authorized in accordance with Sections 228, 242 and 245 of the DGCL.

Vital Farms, Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by a duly authorized officer on \_\_\_\_\_, 2020.

**VITAL FARMS, INC.**

By: \_\_\_\_\_  
Russell Diez-Canseco  
Chief Executive Officer

**EXHIBIT A**

**AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
VITAL FARMS, INC.  
A PUBLIC BENEFIT CORPORATION**

**I.**

The name of this company is Vital Farms, Inc. (the “*Company*”).

**II.**

The address of the registered office of the Company in the State of Delaware is 251 Little Falls Drive, City of Wilmington, County of New Castle, Delaware 19808, and the name of the registered agent of the Company in the State of Delaware at such address is Corporation Service Company.

**III.**

The nature of the business or purposes to be conducted or promoted by the Company is to engage in any lawful act or activity for which corporations, including Public Benefit Corporations, may be organized under the General Corporation Law of the State of Delaware (“*DGCL*”), including without limitation the following public benefits: (i) bringing ethically produced food to the table; (ii) bringing joy to our customers through products and services; (iii) allowing crew members to thrive in an empowering, fun environment; (iv) fostering lasting partnerships with our farmers and suppliers; (v) forging an enduring profitable business; and (vi) being stewards of our animals, land, air and water, and being supportive of our community.

**IV.**

**A.** The Company is authorized to issue two classes of stock to be designated, respectively, “Common Stock” and “Preferred Stock.” The total number of shares that the Company is authorized to issue is 320,000,000 shares, 310,000,000 shares of which shall be Common Stock and 10,000,000 shares of which shall be Preferred Stock. The Preferred Stock shall have a par value of \$0.0001 per share and the Common Stock shall have a par value of \$0.0001 per share.

**B.** The Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the Company is hereby expressly authorized by resolution or resolutions to provide for the issue of all or any of the shares of the Preferred Stock in one or more series, and to fix the number of shares of such shares and to determine or alter for each such series, such voting powers, full or limited, or no voting powers, and such designation, preferences, and relative, participating, optional, or other rights and such qualifications, limitations, or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such shares and as may be permitted by the *DGCL*. The Board of Directors is also expressly authorized to increase (but not above the authorized number of shares of Preferred Stock) or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series subsequent to the issuance of shares of that series.

C. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all of the outstanding shares of stock of the Company entitled to vote thereon, without a separate vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the terms of any certificate of designation filed with respect to any series of Preferred Stock.

D. Except as provided above, the rights, preferences, privileges, restrictions and other matters relating to the Common Stock are as follows:

**1. Voting Rights.** Each holder of shares of Common Stock shall be entitled to one vote for each share thereof held. Except as required by law, the holders of Preferred Stock and Common Stock shall vote together and not as separate series or classes. Except as otherwise required by applicable law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to the certificate of incorporation of the Company, as amended and/or restated from time to time, including the terms of any certificate of designations of any series of Preferred Stock (the “**Certificate of Incorporation**”) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to the Certificate of Incorporation or applicable law.

**2. Redemption.** The Common Stock is not redeemable.

## V.

For the management of the business and for the conduct of the affairs of the Company, and in further definition, limitation and regulation of the powers of the Company, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

### A. Board of Directors.

**1. Generally.** Except as otherwise provided in the Certificate of Incorporation or the DGCL, the business and affairs of the Company shall be managed by or under the direction of the Board of Directors. The number of directors that shall constitute the Board of Directors shall be fixed exclusively by resolutions adopted by a majority of the authorized number of directors constituting the Board of Directors.

### 2. Election.

(a) Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Each class shall consist, as nearly as possible, of one-third of the total number of such directors. The Board of Directors is authorized to assign members of the Board of Directors already in office to such classes at the time the classification becomes effective. At the first annual meeting of stockholders following the closing of the Company’s initial public offering (the “**Initial Public Offering**”), the initial term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the Initial Public Offering, the initial term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the Initial Public Offering, the initial term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

(b) No stockholder entitled to vote at an election for directors may cumulate votes.

(c) Notwithstanding the foregoing provisions of this section, each director shall serve until his successor is duly elected and qualified or until his or her earlier death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(d) Election of directors need not be by written ballot unless the Bylaws so provide.

**3. Removal of Directors.** Subject to the rights of any series of Preferred Stock to elect additional directors under specified circumstances, following the closing of the Initial Public Offering, neither the Board of Directors nor any individual director may be removed without cause. Subject to any limitation imposed by applicable law, any individual director or directors may be removed with cause by the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of the capital stock of the Company entitled to vote generally in the election of directors, voting together as a single class.

**4. Vacancies.** Subject to any limitations imposed by applicable law and subject to the rights of the holders of any series of Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors, shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders and except as otherwise provided by applicable law, be filled only by the Board of Directors by a majority of the directors then in office, although less than a quorum, or by the sole remaining director, and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified.

**5. Preferred Directors.** Notwithstanding anything herein to the contrary, during any period when the holders of any series of Preferred Stock, voting separately as a series or together with one or more series, have the right to elect additional directors, then upon commencement and for the duration of the period during which such right continues: (i) the then otherwise total authorized number of directors of the Company shall automatically be increased by such specified number of directors, and the holders of such Preferred Stock shall be entitled to elect the additional directors so provided for or fixed pursuant to said provisions; and (ii) each such additional director shall serve until such director's successor shall have been duly elected and qualified, or until such director's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his or her earlier death, resignation, retirement, disqualification or removal. Except as otherwise provided by the Board of Directors in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect additional directors are divested of such right pursuant to the provisions of such stock, the terms of office of all such additional directors elected by the holders of such stock, or elected to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional directors, shall forthwith terminate and the total authorized number of directors of the Company shall be reduced accordingly.

**B. Stockholder Actions.** No action shall be taken by the stockholders of the Company except at an annual or special meeting of stockholders called in accordance with the Bylaws and no action shall be taken by the stockholders by written consent. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Company shall be given in the manner provided in the Bylaws of the Company.

**C. Bylaws.** The Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws of the Company. Any adoption, amendment or repeal of the Bylaws of the corporation by the Board of Directors shall require the approval of a majority of the authorized number of directors. The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Company; *provided, however*, that, in addition to any vote of the holders of any class or series of stock of the Company required by law or by the Certificate of Incorporation, such action by stockholders shall require the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of the capital stock of the Company entitled to vote generally in the election of directors, voting together as a single class.

## VI.

**A.** The liability of the directors of the Company for monetary damages for breach of fiduciary duty as a director shall be eliminated to the fullest extent permitted under applicable law.

**B.** To the fullest extent permitted by applicable law, the Company may provide indemnification of (and advancement of expenses to) directors, officers, and other agents of the Company (and any other persons to which applicable law permits the Company to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise in excess of the indemnification and advancement otherwise permitted by such applicable law. If applicable law is amended after approval by the stockholders of this Article VI to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director to the Company shall be eliminated or limited to the fullest extent permitted by applicable law as so amended.

**C.** Any repeal or modification of this Article VI shall only be prospective and shall not affect the rights or protections or increase the liability of any director under this Article VI in effect at the time of the alleged occurrence of any act or omission to act giving rise to liability or indemnification.

## VII.

**A.** Unless the Company consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) shall be the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (A) any derivative action or proceeding brought on behalf of the Company; (B) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any current or former director, officer or other employee of the Company or any stockholder to the Company or the Company's stockholders; (C) any action or proceeding asserting a claim against the Company or any current or former director, officer or other employee of the Company or any stockholder arising pursuant to any provision of the DGCL, the Certificate of Incorporation or the Bylaws of the Company (as each may be amended from time to time); (D) any action or proceeding to interpret, apply, enforce or determine the validity of the Certificate of Incorporation or the Bylaws of the Company (including any right, obligation or remedy thereunder); (E) any action or proceeding as to which the DGCL confers jurisdiction to the Court of Chancery of the State of Delaware; and (F) any action asserting a claim against the Company or any director, officer or other employee of the Company or any stockholder, governed by the internal affairs doctrine, in all cases to the fullest extent permitted by law and subject to the court's having personal jurisdiction over the indispensable parties named as defendants. This Section E of Article VI shall not apply to suits brought to enforce a duty or liability created by the Securities Act of 1933, as amended (the "**1933 Act**"), the Securities Exchange Act of 1934, as amended, or any other claim for which the federal courts have exclusive jurisdiction.

**B.** Unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America, to the fullest extent permitted by law, shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under 1933 Act.

**C.** Any person or entity purchasing, holding, owning or otherwise acquiring any interest in shares of capital stock of the Company shall be deemed to have notice of and to have consented to the provisions of this Article VII.

## **VIII.**

At any time when any shares of capital stock of the Company are outstanding, the Company shall not, either directly or indirectly, merge or consolidate with or into another entity if, as a result of such merger or consolidation, the capital stock of the Company would become, or be converted into or exchanged for the right to receive, shares or other equity interests in a domestic or foreign corporation that is not a public benefit corporation or similar entity and the certificate of incorporation (or similar governing document) of which does not contain identical provisions to Article III identifying the public benefit or public benefits, unless the Company shall have obtained, in addition to any affirmative vote required by law or by the Certificate of Incorporation, the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of capital stock of the Company entitled to vote generally in the election of directors, voting together as a single class.

## **IX.**

**A.** The Company reserves the right to amend, alter, change or repeal any provision contained in the Certificate of Incorporation, in the manner now or hereafter prescribed by statute, except as provided in paragraph B. of this Article IX, and all rights conferred upon the stockholders herein are granted subject to this reservation.

**B.** Notwithstanding any other provisions of the Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote required by law or by the Certificate of Incorporation, the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of capital stock of the Company entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend or repeal Articles III, V, VI, VII, VIII and IX.





NUMBER  
VF

SHARES

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

CUSIP 92847W 10 3

SEE REVERSE FOR CERTAIN DEFINITIONS AND LEGENDS

This certifies that



is the record holder of

FULLY PAID AND NONASSESSABLE SHARES OF COMMON STOCK, \$0.0001 PAR VALUE PER SHARE, OF  
**VITAL FARMS, INC.**

transferable on the books of the Corporation in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

PRESIDENT



SECRETARY

BY

COUNTERSIGNED AND REGISTERED  
AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC  
(BROOKLYN, NY)  
TRANSFER AGENT  
AND REGISTRAR

AUTHORIZED SIGNATURE

[Blank line for date]

HERNIMCO BANK, N.Y.

The Corporation shall furnish without charge to each stockholder who so requests a statement of the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock of the Corporation or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Such requests shall be made to the Corporation's Secretary at the principal office of the Corporation.

KEEP THIS CERTIFICATE IN A SAFE PLACE. IF IT IS LOST, STOLEN, OR DESTROYED THE CORPORATION WILL REQUIRE A BOND INDEMNITY AS A CONDITION TO THE ISSUANCE OF A REPLACEMENT CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM — as tenants in common  
TEN ENT — as tenants by the entireties  
JT TEN — as joint tenants with right of survivorship and not as tenants in common  
COM PROP — as community property

UNIF GIFT MIN ACT — Custodian (Cust) (Minor) under Uniform Gifts to Minors Act (State)  
UNIF TRF MIN ACT — Custodian (until age (Cust) (Minor) ) under Uniform Transfers to Minors Act (State)

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

FOR VALUE RECEIVED, \_\_\_\_\_ hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

\_\_\_\_\_ shares of the capital stock represented by within Certificate, and do hereby irrevocably constitute and appoint

\_\_\_\_\_ attorney-in-fact to transfer the said stock on the books of the within named Corporation with full power of the substitution in the premises.

Dated \_\_\_\_\_

X \_\_\_\_\_  
X \_\_\_\_\_

Signature(s) Guaranteed:

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER.

By \_\_\_\_\_

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION, (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15. GUARANTEES BY A NOTARY PUBLIC ARE NOT ACCEPTABLE. SIGNATURE GUARANTEES MUST NOT BE DATED.



Nicole C. Brookshire  
+1 617 937 2357  
nbrookshire@cooley.com

July 24, 2020

Vital Farms, Inc.  
3601 South Congress Avenue, Suite C100  
Austin, Texas 78704

Ladies and Gentlemen:

We have acted as counsel to Vital Farms, Inc., a Delaware corporation (the "**Company**"), in connection with the filing by the Company of a Registration Statement (No. 333-239772) on Form S-1 (the "**Registration Statement**") with the Securities and Exchange Commission, including a related prospectus filed with the Registration Statement (the "**Prospectus**"), covering an underwritten public offering of up to 8,984,375 shares of the Company's common stock, par value \$0.0001 per share ("**Shares**"), which includes (i) up to 5,040,323 Shares to be sold by the Company (the "**Company Shares**") and (ii) up to 3,944,052 Shares to be sold by certain selling stockholders (the "**Stockholder Shares**"), which includes up to 1,171,875 Stockholder Shares that may be sold by certain selling stockholders upon the exercise of an option to purchase additional shares.

In connection with this opinion, we have (i) examined and relied upon (a) the Registration Statement and the Prospectus, (b) the Company's Fifth Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, each as currently in effect, (c) the forms of the Company's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, filed as Exhibits 3.2 and 3.4 to the Registration Statement, respectively, each of which is to be in effect prior to the closing of the offering contemplated by the Registration Statement and (d) originals or copies certified to our satisfaction of such records, documents, certificates, memoranda and other instruments as in our judgment are necessary or appropriate to enable us to render the opinion expressed below and (ii) assumed that the Shares will be sold at a price established by the Board of Directors of the Company or a duly authorized committee thereof and that the Amended and Restated Certificate of Incorporation referred to in clause (i)(c) is filed with the Secretary of State of the State of Delaware before issuance of the Shares.

We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to originals of all documents submitted to us as copies, the accuracy, completeness and authenticity of the certificates of public officials and the due execution and delivery by all persons other than by the Company of all documents where due execution and delivery are a prerequisite to the effectiveness thereof. As to certain factual matters, we have relied upon a certificate of an officer of the Company and have not independently verified such matters.

Our opinion is expressed only with respect to the General Corporation Law of the State of Delaware. We express no opinion to the extent that any other laws are applicable to the subject matter hereof and express no opinion and provide no assurance as to compliance with any federal or state securities law, rule or regulation.

On the basis of the foregoing, and in reliance thereon, we are of the opinion that (i) the Company Shares, when sold and issued against payment therefor as described in the Registration Statement and the Prospectus, will be validly issued, fully paid and non-assessable and (ii) the Stockholder Shares have been validly issued and are fully paid and non-assessable, except for Stockholder Shares that are to be acquired

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Vital Farms, Inc.  
July 24, 2020  
Page Two

by certain selling stockholders upon the conversion of outstanding preferred stock issued by the Company in accordance with the terms of the preferred stock, which will be validly issued, fully paid and non-assessable upon the conversion of such preferred stock.

\* \* \*

Cooley LLP 500 Boylston Street Boston, MA 02116-3736  
t: (617) 937-2300 f: (617) 937-2400 cooley.com



Vital Farms, Inc.  
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We consent to the reference to our firm under the caption "Legal Matters" in the Prospectus included in the Registration Statement and to the filing of this opinion as an exhibit to the Registration Statement.

Sincerely,

Cooley LLP

By: /s/ Nicole C. Brookshire  
Nicole C. Brookshire

Cooley LLP 500 Boylston Street Boston, MA 02116-3736  
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**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
Vital Farms, Inc.

We consent to the use of our report included herein and to the reference to our firm under the heading “Experts” in the prospectus.

/s/ KPMG LLP

Austin, Texas  
July 24, 2020