Trickle Research

Every raging river, every great lake, every deep blue sea starts … with a trickle

Earnings Update & Allocation Upgrade

Vext Science, Inc.

(symbol: VEXTF)

(http://www.vapenmj.com/)

Report Date: 06/03/20

12- 24 month Price Target: $1.60

Allocation: *5

Closing Stock Price at Initiation (Closing Px: 01/30/20): $.55

Closing Stock Price at Allocation Upgrade (Closing Px: 06/02/20): $.33

Prepared By:
David L. Lavigne
Senior Analyst, Managing Partner
Trickle Research

Disclosure: Portions of this report are excerpted from Vext's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text. All prices in this report are in US Dollars.

VEXT has reported two sets of results since our initiating coverage: 4Q and fiscal year end 2019 as well as Q1-F20.

For fiscal 2019, VEXT reported revenues of $22.3 million and eps of $.04. Those compared to our estimates of $25.6 million and $.06 per share respectively. The revenue miss (which also drove the eps shortfall) was largely a function of product sales (or lack thereof), although there were some added nuances to a few of the other revenue line items that we will cover here. Expenses were largely in line with our estimates once we adjusted for the sales miss, so we won't belabor that.

Q1-F20 has some nuances as well that we did not foresee in our initial coverage. The most telling of those is of course the global COVID19 pandemic. While we think the marijuana industry has probably fared better than many during the crisis, we also think the event has negatively impacted VEXT on some levels. For instance, we know they source a good portion of their packaging and delivery goods from China, and we know they experienced some delivery delays through Q1. As we will delineate further in this update, these non-THC related products are one thing that VEXT can actually own and in turn resell to HWC, so the lack of product availability out of China negatively impacted corresponding product sales from VEXT to HWC in Q1. That said, we view it as largely anomalous. While the pandemic has continued to have a negative impact on most industries through calendar Q2, in the case of VEXT, we expect 2Q to be more normalized at least in terms of product sales than Q1. Again, judging from what we are hearing in the market, we are operating under the assumption that the marijuana industry is holding up quite well during the pandemic.

On the expense side, VEXT also experienced two other events in Q1 we did not plan for in the initial coverage but had a measurable impact on expenses. First, the Company replaced their CFO in January. we believe that event resulted in a charge of about $500,000 for severance related items, however the cash impact of the event should be spread out over the next several quarters. We also think the quarter may have experienced some extraordinary operating expenses related to the debt deal they closed on December 31, 2019 as well as perhaps some of the new joint venture and/or investment pieces that will come online this year.

To translate, we think Q4-F19 and Q1-F20 were a bit extraordinary on a handful of fronts. However, given these handful of non-recurring events we do not view the Q1-F20 results as telling one way or another. That said, we will try to delineate and articulate some of what we have learned along the way to help better illustrate the opportunity, which by the way we remain attracted to. Some of this may be redundant in terms of the initial coverage, but we think it is worth revisiting with some additional color.

Recognize that with respect to these two prior periods' numbers, the Company's only operating jurisdiction was Arizona. As we will illustrate, for fiscal 2020 we anticipate contributions from operations commencing in a handful of other states, but for 2019 they operated solely in Arizona.

Recall, today, Arizona's cannabis market is restricted to medical use only, but it currently represents the 3rd largest medical marijuana market in the U.S. with annual sales of approximately $750 million. As we noted in the initial coverage, Arizona like most other states, has its own set of rules governing the cultivation, processing and dispensing of marijuana products. Specifically, Arizona requires that all licensees engaged in the handling and ownership of marijuana be not-for-profit entities. That is an important distinction to keep in mind with respect to VEXT.

As a result of Arizona's not-for-profit approach, the capital to fund and support the industry has largely been provided by *for profit* enterprises that have in turn engaged with the non-profit licensees. Those "engagements" involve a variety of services that these companies provide to the non-profits and they are structured in various

ways, which means they may include elements that look like contract manufacturing, management fees, development fees, leasing and rental arrangements, consulting or various combinations therein. The point is, the not-for-profit licensees generally just hold the license, while the actual operations of the business (and the capital to make it all happen in the first place) are provided by the for profit enterprise that has contracted to provide those services. As one can imagine, there is a fair amount of complexity making that arrangement work in a manner that complies with state laws. In case it is not clear, VEXT is one of the for-profit providers to the space.

The above said, historically, VEXT's business has been as a provider of services to a single licensee called Herbal Wellness Center ("HWC"). HWC's licenses include an indoor grow operation, a processing lab, and a dispensary located in Phoenix, Arizona. Again, VEXT provides all the operational and other business processes to these units, and it provides them through a variety of services/charges that are delineated in their financial filings as separate revenue line items. We will review those below, but first we will discuss an addition the Company recently made to its Arizona operations that we think is highly topical. For edification, throughout this update, we refer to the legacy Arizona business as "HWC" and the new Arizona business as "Oraganica". Below is an excerpt from a recent announcement regarding the Organica addition:

> *Effective on April 6, 2020, VEXT closed the acquisition of an Arizona based company to provide exclusive turn-key services for the management, administration and operation of Organica Patient Group, Inc. ("Organica"), an Arizona not for profit corporation, which was issued and holds in good standing, a Medical Marijuana Dispensary Registration Certificate, by the Arizona Department of Health Services in the State of Arizona (collectively the "Transaction"). Such services include but are not limited to the management, administration and operation of its medical marijuana dispensary, cultivation, extraction, kitchen and infusion operations.*
>
> *Organica has been operational in the Arizona market since 2013, with its retail dispensary located and operational in Chino Valley, Arizona and its offsite cultivation facility located in and operational in Prescott Valley, Arizona. Organica cultivates and produces medical marijuana and medical marijuana product which is sold and distributed on a retail and wholesale basis in State of Arizona.*
> *Consideration for the Transaction, included the following:*
>
> *Issuance of 67,000 Class A common shares of VEXT (the "Multiple Voting Shares"), each Multiple Voting Share carrying one hundred votes and subject to the appropriate terms and restrictions. Such Multiple Voting Shares: (i) do not trade on the Canadian Securities Exchange (the "CSE"), (ii) are subject to a Canadian hold period of four months and a day from the date of issuance, (iii) are subject to a US securities law legend and (iv) are subject to a coattail agreement designed to prevent transactions that otherwise would deprive holders of the Company's subordinate Common Shares (which trade on the CSE) of rights applicable to take-over bid legislation to which they would have been entitled to if the Multiple Voting Shares had been Common Shares; and Issuance of a promissory note by VEXT in the aggregate sum of USD$5.5mm and along with other standard closing adjustments.*

As we noted, the Company's entire business to this point has focused on providing services to HWC, so this transaction represents an additional integrated opportunity in Arizona. Obviously, this transaction will be additive to the revenue line items addressed below since it is for all intents and purposes the same basic arrangement as the legacy business. However, we think this piece provides some additional synergies that may not be apparent or at least that it seems to us that the street is ignoring.

First, this transaction includes a 10-acre outdoor grow facility. Recognize, that HWC has an indoor grow facility, but that indoor facility has not traditionally provided HWC with enough biomass to supply the Vapen product

line. As a result, they must source and purchase the remainder of their biomass needs from other growers within the state. We believe Organica's grow facility will fill some of that gap, which should provide VEXT with greater control and pricing of that portion of the business. We would not further, as we addressed in the initial coverage, Arizona is set to (re)consider recreational marijuana this November. It looks to us like the odds of that passing are more likely than not. If that turns out to be the case, we believe entrenched operators across the supply chain will have the inside track to participating in that new piece of business. Further, since presumably that should increase demand within the state, we think that may provide additional value to existing grow facilities.

Second, the Company's Vapen brand is popular across the state of Arizona and the Company suggests that the brand is available in 80%+ of the state's operating dispensaries. However, for obvious reasons, we think the HWC dispensary sells considerably more of the Vapen brand then the other non-affiliated dispensaries. We assume the new Organica dispensary will provide similar support for the Vapen brand as well, which should further support the sales and the awareness of the brand.

To summarize, we think Organica should provide scale and synergy to the legacy HWC side of the business, but we are not sure the investment community has rationalized those benefits just yet.
As suggested, below is a brief overview of the current revenue line items and some color to help delineate the minutia of each.

Management Fees- Management Fees are a fixed charge to HWC (and ultimately Organica). The associated costs on VEXT's end are essentially the Operating Expense line items. As we noted in the initial coverage, and will reiterate later in this update, VEXT spent much of 2019 preparing to add several pieces to the business, which also contributed to Operating Expenses. Ultimately, we would look to these Management Fees they collect along with any joint venture and/or partnership profits to cover operating expenses. As they continue to grow the business, we would expect them to experience added operating expense ahead of new venture starts. While we could envision Management Fee increases at points in the future, for now we expect this number to remain in line with prior periods despite the Organica addition.

Professional Fees - These fees essentially represent the costs and margin associated with VEXT managing and executing the businesses units that underlie HWC's licenses. These units include the cultivation, processing and retail of THC base products, and the related expenses include payroll, management, processing and all other costs associated with operating the licensed enterprises. This will be true of Organica as well as VEXT beings to operate those operations as well. As the licensees' businesses grow, these fees will grow along with them.

Product Sales - This seems straightforward, but the Company's relationship with HWC and ultimately Organica (in the context of prevailing Arizona laws) make this a bit more complex than it seems on the face. Recall, VEXT is prohibited by law from owning cannabis at any point through the supply chain. As a result, different products get billed differently in terms of "Product Sales". For instance, if VEXT purchases accessories, they immediately turn around and resell them to their licensees (HWC and/or Organica). Thereafter, that same accessory may requiring filling or additional branded packaging, which VEXT would fulfill and then bill the licensee additionally for those added portions of the product. However, in the case of biomass (marijuana that VEXT cultivating and harvesting on behalf of the licensee) VEXT will invoice the licensee on a percentage-of-completion basis. For instance, if the grow cycle is 90 days, VEXT will bill the licensee 1/3 of the value of the crop each month during the cycle.

Clearly there is some nuance to the Product Sales line item. Further, because of the billing/sales process above VEXT does not generally hold any inventory. In the case of non-THC products (accessories or other physical components that end up in a Vapen branded product and/or CBD based products) the Company sells those directly to the licensees as soon as they receive them. In the case of THC based products, VEXT never owns them so they can never hold inventories of the them either. Rather, the inventories belong to the licensees. As a result, whenever VEXT bills the licensees, in whatever form the sale may take as described above, they recognize a receivable from the licensee. That said, the receivable is where the "rubber meets the road" in terms of an analysis of VEXT's

progress and we think visibility and understanding of the receivable in that regard will play a big role in the valuation of VEXT shares going forward.

To reiterate, virtually all the revenue line items above are ultimately billed to the licensee and VEXT establishes a receivable. The question then becomes, how do the above line items impact the receivable what does the associated collection cycle look like? For instance, in the case of biomass, the Company indicates that a typical grow/harvest cycle at HWC's grow operation is 90 to 100 days. As we noted, that biomass will be billed in increments from VEXT to HWC at a rate of approximately 1/3 per month following the start of the cycle. However, once the cycle/harvest is complete, that product will need to be processed into various *additional* products (flower, extracts, edibles etc.) and that associated processing and packaging will create *an additional* product sale/receivable for those added components. As a result, from that first Product Sale (1/3 of the harvest value recognized 1/3rd of the way through the grow cycle), through the processing and packaging, to the delivery onto the dispensary shelf, and ultimately to a final sale to a patient, **can be a matter of *months***. That is, for some portions of VEXT's Product Sales and the associated receivable, the licensee/dispensary may not be able to create a sale to payback the receivable for several months from the date of that initial 1/3 of harvest completion billing. Obviously, that applies to the other revenue line items as well since they all end up in the same VEXT receivable. Lastly, there are two remaining line items in VEXT's Operating Statement; Equipment Leasing and Property Leasing. These are reasonably straightforward, however we would note that for fiscal 2019 the Company adopted the new International Financial Reporting Standards ("IFRS"), which impacted the reporting of their property leases(s) relative to licensees. Specifically, they made adjustments to the 2019 Property Lease line item to reflect this adoption and we have reflected those changes in our model as well. Essentially, "IFRS 16" changes some of the revenue recognition of the leases but has no substantial impact on the ultimate cash impact of the same. Since as we have noted above, the trick in analyzing VEXT's performance largely entails reconciling the revenue events to the cash event, in our view IFRS 16 just represents another piece to add to that reconciliation. Again, we do not see the adoption as particularly telling one way or the other.

We submit, the two most recent reporting periods involved some items we did not anticipate. On the other hand, that is not necessarily surprising either. In our experience, especially with small companies that are relatively new to the public markets (and associated required audits of financial statements), Q4 results can sometimes be a bit anomalous relative to the other three quarters. We think that typically stems from the fact that again, the presentation of the first three quarters of the year are as unaudited results, while the final quarter is subject to audit. That means that any adjustments that auditors may require the year will end up in the reconciled fourth quarter, even though the impact of those adjustments should have been shared by some of the other quarters. VEXT had/has some of those issues. Succinctly, as we have covered here, evaluating their financial performance is a bit complex largely because of the extraordinary steps they have to take in order to participate in some of the different regulatory environments that the patchwork of cannabis laws (from one state/jurisdiction) requires. To be honest, as we have evaluated the yearend numbers and their adjustments, we have realized that we didn't understand some of the minutia as well as we thought we did (or should have) and that is/was complicated by some reporting changes they have made to better reflect the nature of the business as well. For instance, they are no longer planning on consolidating any of the non-Arizona endeavors, so all of those results will now be reflected below the operating line. That is a deviation from our original understanding of some of those additions to the business.

Looking ahead, as we see it some key elements to the story (management, operations, strategy etc.) are beginning to rationalize and "gel" if you will. We think our own understanding of both the minutia and the bigger picture have also improved since our initiation of the coverage, and while some of that may be because we are just slow learners we also think some of that is also related to management's work in terms of pulling it all together. On the other hand, we do not feel that our original macro thesis has changed much. That is, we still view the marijuana space much as have we have in the past: marked complexities on multiple fronts including a patchwork of sometimes conflicting laws, poor resulting visibility, considerable risk on a variety of fronts and significant potential opportunity. Moreover, we do not think our company specific thesis has changed much either:

- We think VEXT has managed to establish a successful cannabis brand (Vapen) within its Arizona markets, and they believe the strength of that brand has allowed them to forge some of the partnerships they are currently building outside of Arizona. The Company notes that their brand has afforded them the *"second largest social media following amongst the major cannabis brands",* and they have several social media influencers/celebrities who use/represent their products. The brand is extensive in terms of sku's. As we noted above, they indicate that their brand is available in 80% of Arizona's licensed dispensaries.

- The Company's presence in Arizona has created a profitable beachhead for expansion. As wee alluded to above, Arizona supports a large ($750 million+) and growing medical marijuana industry. We believe their successful presence there with HWC has allowed them to establish their affiliation with Organica, which should be highly additive and synergistic to the Arizona business on multiple fronts. Moreover, after a handful of failed attempts, it looks as if Arizona voters may pass recreational use via the upcoming election. In our view, recreational legalization in Arizona will likely prove highly beneficial to established players like VEXT.

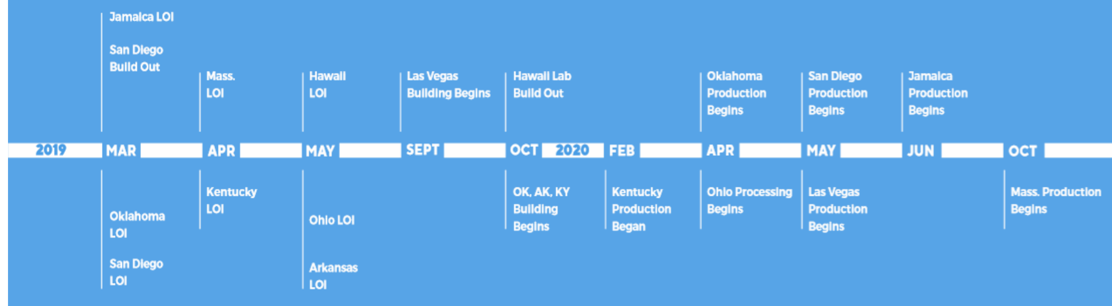
- We have spent some time above trying to better explain VEXT's relationship with its Arizona licensee, HWC (and now Organica). We submit, due to Arizona's marijuana laws, the relationship is complex and perhaps even a bit convoluted. That arrangement has created the significant and ongoing receivable from HWC to VEXT and in our view, from an investment perspective, is the "elephant in the room". However, we would suggest that those analyzing the business look at this issue more from a "return on investment" approach than from an "accounts receivable" approach. As we alluded to, we have learned some things about the business since we initiated the coverage and we basically went back and started over on much of our approach. As a result, our new model attempts to provide some additional color on the changes we see in the receivable and perhaps more importantly, the ongoing (projected) cash impact we see on VEXT. In any case, our expectation is that as we move forward, VEXT will begin to recapture larger and larger portions of the receivable or more succinctly, their investment in Arizona.

- The Company continues to build and advance it presence outside of the Arizona market. These new endeavors include several new jurisdictions. Some of these arrangements amount to direct investments into the respective businesses, while others are joint ventures where VEXT has provided cash, equipment and/or other expertise to the JV enterprise. These arrangements vary in terms of VEXT's participation and contribution to each, and they also vary in terms of their positions in the supply chain (cultivation, processing, dispensing). Further, some of these operations are aimed at marijuana/THC markets/products, others are focused on CBD only and yet others include elements of both. The point is, the Company has methodically identified and developed these arrangements in areas/businesses where it believed it could provide specific expertise, branding and financial value to otherwise established enterprises that were perhaps missing those pieces. The Company believes their contribution in these cases will be additive and synergistic and will ultimately result in marked returns on investments for VEXT as these arrangements mature:

9 OPERATIONAL VENTURE PARTNERSHIPS 2020

State	Cultivation	Processing and/ or Wholesale	Retail Products Vapen Brand	THC Marijuana	CBD Cannabinoids	Vext Relationship
Arizona HQ (2)	X	X	X	X	X	Management Agreements
Kentucky		X			X	Joint Venture
Hawaii					X	Investment
Nevada			X	X		Service Agreement
Oklahoma		X	X	X		Joint Venture
California		X	X	X		Joint Venture
Ohio		X	X	X		Investment
Massachusetts		X	X	X		Joint Venture

JV PARTNERSHIP ROLL OUT



To summarize, we think we have a better handle on the VEXT opportunity than we did when we initiated the coverage and some of that view is based on the notion that the Company has also done some things to better rationalize the opportunities over that same time frame. In short, there are new/evolved pieces to the story and progress that has been made therein that we think have improved visibility as well as the overall prospects of the business. For instance, in our view, the addition of Organica in Arizona, and the commencement of anticipated businesses in new markets are notable milestones. As the tables above suggest, we expect additional starts in new markets through the balance of 2020 as well. While the path forward since our initiation has not been without some hitches, we believe VEXT is on the right trajectory, and we remain bullish in the prospects. We reiterate our 12-4 month target of US$1.60 and we are raising our allocation from 4 to *5 based on the compression in the stock since the time of our initiation.

Projected Operating Model

Projected Operating Model						
By: Trickle Research LLC						
	(actual)	(estimate)	(estimate)	(estimate)	(estimate)	(estimate)
	3/31/2020	6/30/2020	9/30/2020	12/31/2020	Fiscal 2020	Fiscal 2021
REVENUES						
Management Fees	$ 600,000	$ 1,200,000	$ 1,200,000	$ 1,200,000	$ 4,200,000	$ 4,800,000
Professional Fees	$ 1,402,839	$ 3,108,706	$ 3,269,277	$ 3,103,163	$ 10,883,985	$ 16,526,076
Product Sales	$ 2,005,085	$ 3,255,913	$ 4,430,088	$ 4,594,411	$ 14,285,497	$ 19,747,200
Equipment Leasing	$ 20,752	$ 42,000	$ 42,000	$ 42,000	$ 146,752	$ 168,000
Property Leasing	$ 67,422	$ 130,000	$ 130,000	$ 130,000	$ 457,422	$ 520,000
Total Revenues	**$ 4,096,098**	**$ 7,736,619**	**$ 9,071,365**	**$ 9,069,574**	**$ 29,973,657**	**$ 41,761,276**
COST OF SALES						
Cost of Goods	$ 1,494,285	$ 2,182,322	$ 2,906,535	$ 3,028,082	$ 9,611,224	$ 13,696,326
Salaries Wages and Contractors	$ 1,160,271	$ 1,674,733	$ 2,034,282	$ 2,097,949	$ 6,967,235	$ 9,220,771
Property & Equipment Leasing, Utilities and Property Tax	$ 23,636	$ 46,835	$ 46,835	$ 46,835	$ 164,141	$ 187,340
Amortization	$ 212,115	$ 205,702	$ 217,421	$ 217,421	$ 852,659	$ 869,684
Total Cost of Goods Sold	**$ 2,890,307**	**$ 4,109,592**	**$ 5,205,073**	**$ 5,390,287**	**$ 17,595,259**	**$ 23,974,121**
Gross Profit	**$ 1,205,791**	**$ 3,627,027**	**$ 3,866,293**	**$ 3,679,287**	**$ 12,378,398**	**$ 17,787,155**
OPERATING EXPENSES						
Advertising & Promotion	$ 117,497	$ 224,808	$ 228,927	$ 247,932	$ 819,163	$ 1,107,497
Amortization	$ 56,983	$ 68,567	$ 72,474	$ 72,474	$ 270,498	$ 289,895
Bank Charges and Interest	$ 182,512	$ 20,280	$ 26,150	$ 26,972	$ 255,914	$ 114,736
Consulting	$ 280,591	$ 191,599	$ 192,366	$ 193,135	$ 857,691	$ 780,297
Insurance	$ 6,588	$ 23,256	$ 24,430	$ 24,594	$ 78,868	$ 99,747
Office and General	$ 796,665	$ 266,398	$ 295,752	$ 299,860	$ 1,658,675	$ 1,233,680
Professional Fees	$ 264,166	$ 280,237	$ 347,204	$ 363,776	$ 1,255,382	$ 1,509,888
Rent, Property Tax asnd Utilities	$ 27,069	$ 67,559	$ 79,301	$ 80,944	$ 254,873	$ 337,472
Repairs and Maintenance	$ 19,952	$ 49,559	$ 61,301	$ 62,944	$ 193,756	$ 265,472
Research and Development	$ 30,098	$ 12,512	$ 14,860	$ 15,189	$ 72,659	$ 63,494
Shared Based Compensation	$ 87,406	$ 30,000	$ 30,000	$ 30,000	$ 177,406	$ 120,000
Salaries, Wages and Commissions	$ 330,590	$ 345,237	$ 392,204	$ 408,776	$ 1,476,806	$ 1,689,888
Travel, Entertainment & Training	$ 110,811	$ 110,821	$ 242,903	$ 259,832	$ 724,367	$ 1,080,416
Total SG&A	**$ 2,310,928**	**$ 1,690,832**	**$ 2,007,870**	**$ 2,086,429**	**$ 8,096,059**	**$ 8,692,483**
Operating Income (Loss)	**$ (1,105,137)**	**$ 1,936,195**	**$ 1,858,423**	**$ 1,592,858**	**$ 4,282,338**	**$ 9,094,673**
Loss on Acquisition						
Interest Income (Expense)	$ 71,056	$ (87,500)	$ (92,500)	$ (97,500)	$ (206,444)	$ (440,000)
Contribution from Joint Ventures	$ (62,520)	$ 30,516	$ 183,475	$ 328,032	$ 479,503	$ 2,604,743
Investment Income	$ -	$ 7,266	$ 57,538	$ 120,719	$ 185,523	$ 970,704
Other					$ -	$ -
Income Before Tax	**$ (971,020)**	**$ 1,886,476**	**$ 2,006,936**	**$ 1,944,109**	**$ 4,866,501**	**$ 12,230,120**
Income Tax	**$ -**	**$ 471,619**	**$ 501,734**	**$ 486,027**	**$ 1,459,380**	**$ 3,057,530**
Net Income - After Tax	**$ (971,020)**	**$ 1,414,857**	**$ 1,505,202**	**$ 1,458,082**	**$ 3,407,121**	**$ 9,172,590**
					$ -	**$ -**
Other Comprehensive Income (Loss)	**$ 344,794**	**$ -**	**$ -**	**$ -**	**$ 344,794**	**$ -**
Less: Non-Controling Interests	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Totla Comprehensive Income (Loss)	**$ (626,226)**	**$ 1,414,857**	**$ 1,505,202**	**$ 1,458,082**	**$ 3,751,915**	**$ 9,172,590**
Basic Earnings per Share	**$ (0.01)**	**$ 0.02**	**$ 0.02**	**$ 0.02**	**$ 0.04**	**$ 0.11**
Weighted Average Earnings per Share	**$ (0.01)**	**$ 0.02**	**$ 0.02**	**$ 0.02**	**$ 0.04**	**$ 0.11**
Basic Shares Outstanding	**$ 84,363,326**	**$ 84,363,326**	**$ 84,363,326**	**$ 84,363,326**	**84,363,326**	**84,363,326**
Weighted Average Shares Outstanding	**$ 84,363,326**	**$ 84,538,672**	**$ 85,018,456**	**$ 85,570,207**	**84,872,665**	**86,978,051**
Estimated Cash at the End of the Period	**$ 5,125,217**	**$ 5,677,677**	**$ 5,197,410**	**$ 6,481,636**	**6,481,636**	**7,684,107**
Change in Accounts Receivable	**$ 2,716,676**	**$ (64,584)**	**$ 1,074,112**	**$ (737,501)**	**2,988,704**	**(1,618,704)**
Estimated EBITDA	**$ (519,410)**	**$ 2,181,025**	**$ 2,322,981**	**$ 2,260,976**	**$ 6,245,572**	**$ 13,504,435**

General Disclaimer:

Trickle Research LLC produces and publishes independent research, due diligence and analysis for the benefit of it investor base. Our publications are for information purposes only. Readers should review all available information on any company mentioned in our reports or updates, including, but not limited to, the company's annual report, quarterly report, press releases, as well as other regulatory filings. Trickle Research is not registered as a securities broker-dealer or an investment advisor either with the U.S. Securities and Exchange Commission or with any state securities regulatory authority. Readers should consult with their own independent tax, business and financial advisors with respect to any reported company. Trickle Research and/or its officers, investors and employees, and/or members of their families may have long/short positions in the securities mentioned in our research and analysis and may make purchases and/or sales for their own account of those securities. David Lavigne does not hold a position in Boxlight Corporation.

Trickle Research has not been compensated directly by VEXT for the publication of this report nor has VEXT compensated Trickle Research for any other services associated with this research report at this time.

Trickle Research co-sponsors two microcap conferences each year. Trickle Research encourages its coverage companies to present at those conferences and Trickle charges them a fee to do so. Companies are under no obligation to present at these conferences. VEXT has paid a fee to present at Trickle's Co-Sponsored Investor Conference.

Reproduction of any portion of Trickle Research's reports, updates or other publications without written permission of Trickle Research is prohibited.

All rights reserved.

Portions of this publication excerpted from company filings or other sources are noted in *italics* and referenced throughout the report.

Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals $250) and 10 representing 10 investment units or $2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit $25,000 to buying micro-cap stocks, that would assume an investment of $1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at $1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same $250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting $1000 into the position ($250 * 4). If we later raise the allocation to 6, you might consider adding two additional units or $500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.