

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

FORM 10-K

- Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2023
- Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____

Commission File Number: 000-54677

CV Sciences, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
**9530 Padgett Street,
Suite 107, San Diego,**
(Address of principal executive offices)

80-0944974
(I.R.S. Employer
Identification No.)

CA 92126
(Zip Code)

Registrants telephone number, including area code 866-290-2157

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$0.0001 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2023, the last day of the registrant's most recently completed second fiscal quarter, based upon the closing price of the registrant's common stock as reported by the OTC:QB Marketplace on such date, was approximately \$6 million. This calculation does not reflect a determination that persons are affiliates for any other purposes.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

As of March 24, 2024, the issuer had 163,228,469 shares of issued and outstanding common stock, par value \$0.0001.

DOCUMENTS INCORPORATED BY REFERENCE.

Certain portions of the registrant's definitive proxy statement to be delivered to its shareholders in connection with the registrant's 2024 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K. Such definitive proxy statement will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

CV SCIENCES, INC.
FORM 10-K
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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the “Exchange Act”), with the Securities and Exchange Commission (the “SEC”). Our SEC filings are available to the public on the SEC’s Internet site at <http://www.sec.gov>.

In addition, on our Internet website, <http://www.cvsciences.com>, we post the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. The contents of our website are not incorporated in or otherwise to be regarded as part of this Annual Report on Form 10-K (this “Annual Report”).

When we use the terms “CV Sciences,” the “Company,” “we,” “our” and “us” we mean CV Sciences, Inc., a Delaware corporation, taken as a whole, as well as any predecessor entities, unless the context otherwise indicates.

FORWARD LOOKING STATEMENTS

This Annual Report, the other reports, statements, and information that the Company has previously filed with or furnished to, or that we may subsequently file with or furnish to, the SEC and public announcements that we have previously made or may subsequently make include, may include, or may incorporate by reference certain statements that may be deemed to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Such forward-looking statements are intended to enjoy the protection of the safe harbor for forward-looking statements provided by that Act. To the extent that any statements made in this Annual Report contain information that is not historical, these statements are forward-looking. Forward-looking statements can be identified by the use of words such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will,” “should,” “could,” and other words of similar meaning. These statements are subject to risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, without limitation, marketability of our products; legal and regulatory risks associated with the industries in which we operate, our operation in foreign countries, and the OTC Markets; our ability to successfully integrate acquired businesses into our own; our ability to raise additional capital to finance our activities; the future trading of our common stock; our ability to operate as a public company; our ability to protect our proprietary information; general economic and business conditions; the volatility of our operating results and financial condition; the volatility of our stock price; our ability to attract or retain qualified senior management personnel; the risk that our results could be adversely affected by natural disaster, public health crises (such as the outbreak of Coronavirus, or COVID-19), political crises, war, negative global climate patterns, or other catastrophic events; and other risks detailed from time to time in our filings with the SEC, or otherwise.

Information regarding market and industry statistics contained in this Annual Report is included based on information available to us that we believe to be accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications stated above and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We do not undertake any obligation to publicly update any forward-looking statements, except as required by applicable law. As a result, investors should not place undue reliance on these forward-looking statements.

PART I

ITEM 1. BUSINESS

Overview

CV Sciences, Inc. ("CV Sciences," the "Company," "we," "our" or "us") is a consumer wellness company specializing in hemp extracts and other proven, science-backed, natural ingredients and products, which are sold through a range of sales channels from business-to-business ("B2B") to business-to-consumer ("B2C").

Our *+PlusCBD™* branded products are sold at select retail locations throughout the U.S. and are the top-selling brands of hemp extracts in the natural products market, according to SPINS, the leading provider of syndicated data and insights for the natural, organic and specialty products industry. We follow all guidelines for Good Manufacturing Practices ("GMP") and our products are processed, produced, and tested throughout the manufacturing process to confirm strict compliance with company and regulatory standards and specifications. With a commitment to science, *+PlusCBD™* product benefits in healthy people are supported by human clinical research data, in addition to three published clinical case studies available on PubMed.gov. *+PlusCBD™* was the first hemp extract supplement brand to invest in the scientific evidence necessary to receive self-affirmed Generally Recognized as Safe ("GRAS") status.

On December 7, 2023, we acquired Cultured Foods Sp. z.o.o., a limited liability company organized under the laws of Poland ("Cultured Foods"). Cultured Foods is a leading European manufacturer and distributor of plant-based protein products. Our plant-based food products are sold under the Culture Foods brand.

Our primary offices and facilities are located in San Diego, California, and Warsaw, Poland.

We also operate a drug development program focused on developing and commercializing cannabidiol ("CBD")-based novel therapeutics.

Our common stock is traded on the OTC:QB market, under the trading symbol CVSI.

Current Operations

We currently manufacture and distribute more than 50 products and intend to continue to add new products to our portfolio to enhance our line of hemp-based CBD, herbal supplements, and plant-based foods. We also expect to develop and launch new product lines and brands to address consumer needs and demand.

Our Mission:

Our mission is to improve quality of life through nature and science.

Our Core Values:

- Provide the best products.
- Look to nature and lean into science to create extraordinary products that transform health, so people can best navigate the course of their lives.
- Have a net positive impact on our customers, our employees, and our planet.
- Produce convenient and sustainable alternatives to the foods everybody loves.

We develop, manufacture, market and sell herbal supplements, CBD products and plant-based food products under the following brands: *+PlusCBD™* and *Cultured Foods™* in the healthcare market sector, including nutraceutical, beauty care, specialty foods, and pet products.

- +PlusCBD™* - Our award-winning line of products available in softgel, tinctures, topicals, and gummies. It was our first brand to market, released in 2014, and is the top-selling brand of hemp-derived CBD in the natural product retail market. *+PlusCBD™* is backed by published research, third party safety testing, and rigorous quality standards.

In addition, products under our *+PlusCBD™ Pet* brand offer all the hemp extract benefits offered by *+PlusCBD™* for human use, but they are formulated just for cats and dogs. *+PlusCBD™ Pet* provides physical and emotional support to help address the stress and physical discomfort keeping pets from being their best. Available in easy to use liquids and flavors: beef, chicken, and peanut butter.

• **Cultured Foods™** - Products under our *Cultured Foods™* brand are currently being distributed in Europe. Our products are entirely plant-based, natural, gluten-free and shelf-stable.

During the year ended December 31, 2023, we rebranded certain products under our previous *ProCBD™* and *HappyLane™* brands and started selling them under our *+PlusCBD™* brand. Hemp-based CBD is one of more than 100 cannabinoids found in hemp and is non-psychoactive. Our U.S. based operations oversee our raw material supply chain, raw material processing, product development and manufacturing, and sales and marketing. We will continue to scale operations to accommodate market conditions.

We are also developing cannabinoids intended to treat medical indications. Cannabinoids are compounds derived from the *Cannabis sativa* plant, which contains two primary cannabinoids, CBD and tetrahydrocannabinol (“THC”). Clinical and preclinical data suggest that CBD has promising results in treating a range of medical indications. We acquired drug development assets utilizing CBD as the active pharmaceutical ingredient in our CanX acquisition in December 2015.

Our product candidate, CVSI-007, combines CBD and nicotine in treatment of smokeless tobacco use and addiction. There are currently no drugs approved by the U.S. Food and Drug Administration (“FDA”) for treatment of smokeless tobacco use and addiction. The worldwide smokeless tobacco addiction treatment market is estimated at greater than \$2 billion. We believe this product candidate will provide treatment options for this significant unmet medical need. CVSI-007 is based on proprietary formulations, processes and technology. In May 2016, we filed a patent application for the technology implemented for CVSI-007 with the U.S. Patent and Trademark Office (“USPTO”). On May 19, 2020, we received a formal notice of issuance from the USPTO for our patent application 15/426,617. The patent covers methods of treating smokeless tobacco addiction by administering pharmaceutical formulations containing CBD and nicotine. We have similar patent protection in other key markets throughout the world. As of December 31, 2023, our patent has been granted in 10 countries, including the United States, Australia, Canada, Germany, Spain, France, Great Britain, Italy, Netherlands, and Japan.

We plan to continue our development efforts as we seek approval from the FDA to commercialize the world's first and only FDA-approved treatment for smokeless tobacco addiction. We have relationships with qualified parties and contract research organizations for our preclinical research and Investigational New Drug application (“IND”) preparation and development. Further development efforts require significant investment and we are looking for strategic partners to further advance our efforts. Commercialization of future specialty pharmaceutical products in the United States and other territories may rely on licensing and co-promotion agreements with strategic partners. If we choose to build a commercial infrastructure to support marketing in the United States, such commercial infrastructure could include a sales organization, internal sales support, an internal marketing group and distribution support. However, we anticipate that building such a commercial infrastructure will require significant investment.

During the year ended December 31, 2023, we continued to make strategic cost reductions, including reductions in employee headcount, vendor spending, and the delaying of certain expenses related to our drug development activities in order to ensure the success of our business.

Description of our Subsidiaries

CV Sciences was incorporated under the name Foreclosure Solutions, Inc. in the State of Texas on December 9, 2010. On July 25, 2013, CannaVest Corp., a Texas corporation (“CannaVest Texas”), merged with CV Sciences, a wholly-owned Delaware subsidiary of CannaVest Texas, to effectuate a change in the Company’s state of incorporation from Texas to Delaware. On January 4, 2016, we filed a Certificate of Amendment of Certificate of Incorporation reflecting our corporate name change to “CV Sciences, Inc.”, effective on January 5, 2016. In addition, on January 4, 2016, we amended our Bylaws to reflect our corporate name change to “CV Sciences, Inc.”

On December 7, 2023, we acquired Cultured Foods, a limited liability company organized under the laws of Poland.

Government Regulation

We are subject to local and federal laws and regulations pertaining to the sale of hemp derived CBD products in our operating jurisdictions. We maintain required licenses for sourcing, manufacturing, and distribution; we also monitor changes in laws, regulations, treaties, and agreements on a continuous basis. We derive our revenue from the manufacture, marketing and distribution of hemp extracts and other proven, science-backed, natural ingredients and products. All applicable legislation is a matter of public record, and we are unable to predict what additional legislation or amendments governments may enact in the future. Changes to government regulation could impact our existing and planned operations or increase our operating expenses, which could have an adverse effect on our financial condition, results of operations and cash flows.

The Agriculture Improvement Act of 2018, known as the "2018 Farm Bill", is United States federal legislation signed into law on December 20, 2018, that provides the legal framework for hemp-based products. The 2018 Farm Bill permanently removed "hemp" from the purview of the Controlled Substances Act, and accordingly, the U.S. Drug Enforcement Administration ("DEA") no longer has any claim to interfere with the interstate commerce of hemp products. One of the immediate impacts from this legislation included the ability for hemp farmers to access crop insurance and U.S. Department of Agriculture ("USDA") programs for competitive grants.

Notwithstanding the removal of the DEA from enforcement of hemp regulations, the FDA retains authority to regulate ingestible and topical hemp products, including hemp extracts that contain CBD, at the federal level. Moreover, states have retained regulatory authority through their own analogues to the Federal Food, Drug, and Cosmetic Act ("FDCA"), and the laws and regulations of certain states diverge from the laws and regulations of other states as well as from the federal treatment of the use of hemp as, or in, food, dietary supplements or cosmetic products. Each state also has a certain level of discretion to develop and implement its own laws and regulations governing the manufacturing, composition, marketing, labeling and sale of hemp products, which has created a patchwork of different regulatory schemes applicable to such products throughout the U.S. We actively monitor federal and state regulations and proposed regulations to ensure compliance.

In conjunction with the enactment of the 2018 Farm Bill, the FDA released a statement about the regulatory status of CBD. The statement noted that the 2018 Farm Bill explicitly preserved the FDA's authority to regulate products containing cannabis or cannabis-derived compounds under the FDCA and Section 351 of the Public Health Service Act. This authority allows the FDA to continue enforcing the law to protect the public while also providing potential regulatory pathways for products containing cannabis and cannabis-derived compounds. The statement also noted the growing public interest in cannabis and cannabis-derived products, including CBD, and informed the public that the FDA will treat products containing cannabis or cannabis-derived compounds as it does any other FDA-regulated products — meaning the products will be subject to the same authorities and requirements as FDA-regulated products containing any other substance, regardless of the source of the substance, including whether the substance is derived from a plant that is classified as hemp under the 2018 Farm Bill. The FDA's CBD enforcement discretion and regulatory actions with regards to CBD provide regulatory guidance to the CBD industry.

The FDA has consistently taken the position that CBD is prohibited from use as an ingredient in food and dietary supplements. This stems from its interpretation of the exclusionary clauses in the FDCA because CBD has been approved as a prescription drug and is the subject of substantial clinical investigations as a drug, which have been made public. The exclusionary clauses under the FDCA provide that a substance that has been approved or has been subject to substantial clinical investigations as a drug may not be used in a food or dietary supplement, unless the substance was first marketed in a food or dietary supplement prior to the initiation of substantial clinical investigations of the substance as a drug. The exclusionary clause does not apply to cosmetics. Cosmetics containing CBD could be viewed as drug products by the FDA if disease claims are made, or if the FDA determines the use of CBD in the product has a structure or function effect on the body (i.e., a drug effect).

To date, and to our knowledge based upon publicly available information, the FDA has neither issued regulations elaborating on the exclusionary clauses nor has it taken any enforcement action in the courts asserting a violation of the exclusionary clauses. However, the FDA has issued a number of warning letters to companies unlawfully marketing CBD products. In many of these cases, the manufacturers made unsubstantiated claims about the product being effective for the treatment of medical conditions (e.g., cancer, Alzheimer's disease, opioid withdrawal, anxiety and COVID-19), despite not having obtained drug approvals. Other warning letters were issued to companies for a

variety of reasons, including: marketing CBD products as dietary supplements despite those products which contain CBD not meeting the definition of a dietary supplement; adding CBD to human and animal foods and marketing CBD products for infants and children and other vulnerable populations; selling CBD products that people may confuse for traditional foods or beverages and that may result in unintentional consumption or overconsumption of CBD; and selling unapproved animal drugs containing CBD that are intended for use in food-producing animals. Some of these letters were co-signed by the U.S. Federal Trade Commission ("FTC") and cited the companies for making claims about the efficacy of CBD and other ingredients which were not substantiated by competent and reliable scientific evidence. In December 2020, the FTC announced it had entered into settlement agreements with six companies marketing CBD products including oils, gummies, creams, and others with deceptive health claims about serious health conditions. The settlements included monetary penalties ranging from \$20,000 to \$85,000. The FTC announced another such enforcement action and settlement in May 2021, ordering consumer redress of over \$30,000. The FDA has also issued warning letters to dietary supplement manufacturers objecting to the designation of CBD infused products as dietary supplements on the basis that CBD was not a permissible dietary supplement ingredient.

The FDA periodically updates its "Consumer Update" on CBD. Through these Consumer Updates, the FDA has noted that it has approved only one CBD product, a prescription drug product to treat three rare, severe forms of epilepsy. The FDA has also stated that it is illegal to market CBD by adding it to a food or labeling it as a dietary supplement, that the FDA has seen only limited data about CBD safety, which data indicates that there are real risks that need to be considered before taking CBD for any reason and that some CBD products are being marketed with unproven medical claims and are of unknown quality.

The FDA has stated that it recognizes the potential opportunities and significant interest in drug and other consumer products containing CBD, is committed to evaluating the agency's regulatory policies related to CBD and has established a dedicated internal working group, the Cannabis Product Committee, to explore potential pathways for various types of CBD products to be lawfully marketed. The FDA held a public hearing in May 2019 to obtain scientific data and information about the safety, manufacturing, product quality, marketing, labeling and sale of products containing cannabis or cannabis-derived compounds. The rules and regulations and enforcement in this area continue to evolve and develop. In July 2020, the FDA sent to the White House Office of Management and Budget (the "OMB") for review a draft guidance, "Cannabidiol Enforcement Policy," the details of which were not made public. This guidance remained under review at the OMB until January 2021, when it was withdrawn by the FDA as a part of the regulatory moratorium Executive Order issued by President Biden. On January 26, 2023, the FDA stated its views publicly that a new regulatory pathway for CBD is needed and it is prepared to work with Congress to create such a pathway. The timeline for further CBD policy development remains uncertain while the administration and the FDA face competing regulatory priorities.

On January 26, 2023, the FDA issued a statement denying three citizen petitions that had asked the agency to conduct rule making to allow the marketing of CBD products as dietary supplements, and further stated a new regulatory pathway would benefit consumers by providing safeguards and oversight to manage and minimize risks related to CBD products. The agency suggested that Congress create a new regulatory pathway that balances individuals' access to CBD products with the necessary oversight to manage risks, adding it is prepared to work with Congress on this matter.

Currently, the timing for legislation that may include a new potential regulatory pathway for CBD developed by the FDA is uncertain. While authorizing legislation could be introduced in 2024, the FDA's development and implementation of a new pathway would likely take several years. As such, it is possible Congress may move forward with H.R. 1629, the "Hemp and Hemp-Derived CBD Consumer Protection and Market Stabilization Act of 2023" or similar legislation that would authorize a pathway for hemp-derived CBD in a more efficient manner, and would permit the use of CBD in dietary supplements and/or food.

In October 2021, Assembly Bill 45 passed in California, permitting the retail sale of products containing hemp-derived CBD including dietary supplements, topicals, over-the-counter and pet products. Pursuant to Assembly Bill 45, manufacturers of hemp-derived CBD dietary supplements must comply with certain testing and labeling requirements, and must register with the State Department of Public Health.

The regulations applicable to the sale of products containing hemp-derived CBD vary from state to state. As of December 31, 2023, several states, including, but not limited to, Alaska, Florida, Maryland, Minnesota, New York,

Utah, and Virginia, have adopted new regulations that will impact our ability to sell certain products as currently formulated or packaged in these states. Many of these states have also implemented new THC/CBD limits, age verification, labeling and packaging requirements. We continue to assess the business and financial impact of the new regulations, including steps that can be taken to address the new product formulation and labeling requirements, as well as costs and potential revenue impact and anticipated timing for such impact to us in these states.

We are subject to federal and state consumer protection laws, including laws protecting the privacy of customer non-public information; the handling of customer complaints; the requirement to provide warnings about exposures to chemicals with adverse health effects; and regulations prohibiting unfair and deceptive trade practices.

The growth and demand for online commerce has resulted in more stringent consumer protection laws, at both state and federal levels, that impose additional compliance burdens on online companies. These laws cover issues such as user privacy, spyware and the tracking of consumer activities, marketing e-mails and communications, other advertising and promotional practices, money transfers, pricing, product safety, content and quality of products and services, taxation, electronic contracts and other communications and information security.

We are subject to numerous similar and other laws and regulations outside the U.S. for the sale of our plant-based food products, including but not limited to laws and regulations governing food safety, occupational health and safety, anti-corruption and data privacy, including the European Union General Data Protection Regulation. Certain jurisdictions have either imposed, or are considering imposing, product labeling requirements or other limitations on the marketing or sale of certain of our products.

There is uncertainty over whether or how existing laws governing issues such as sales and other taxes, auctions, libel, and personal privacy apply to the internet and commercial online services. These issues are predicted to take years to resolve. For example, tax authorities in some states, as well as a Congressional advisory commission, are currently reviewing the appropriate tax treatment of companies engaged in online commerce. Furthermore, new state tax regulations may subject CV Sciences to additional state sales and income taxes. Other areas that may result in significant additional taxes or regulatory restrictions include, without limitation, new legislation or regulation; the application of laws and regulations from jurisdictions whose laws do not currently apply, or the application of existing laws and regulations to the internet and commercial online services. These taxes or restrictions could have an adverse effect on our cash flow, output, and overall financial condition. Furthermore, there is a possibility that we may be financially responsible for past failures to comply with requirements.

Sales and Distribution

Our products are currently sold online through our websites (www.pluscbdoil.com and www.cvsciences.com), select distributors, brick and mortar retailers, and select e-tailers. We have relationships with wholesalers, distributors and retailers across the food, drug and mass ("FDM"), natural product, specialty, and professional market industries. We utilize our knowledgeable partners to display and present our products to customers in their brick and mortar stores. These relationships are important to ensure consumers across a variety of sales channels have access to our products. These partnerships and our expansive distribution allow us to build consumer trust in our brand and products. We have additional partners in the natural product channel to service our retail customers by stocking and displaying products and explaining product attributes and health benefits. For the year ended December 31, 2023, we sold products into more than 2,700 brick and mortar stores. We also utilize e-commerce platforms to reach consumers and guide them through the CBD buying process as we believe consumers rely heavily on digital research.

33% of our net revenue for the year ended December 31, 2023 was from new products launched since January 1, 2022. During this time period, we launched 28 new hemp-based products.

Our plant-based food products are predominantly sold in Europe and primarily in the retail space. Typically, we sell our plant-based food products to distributors for a specific territory within Europe.

Markets, Geography, Seasonality, and Major Customers

Our hemp-based products are predominantly sold in North America and primarily in the retail space. Based on our current and historical balance sheets and statement of operations, it does not appear that our business or operations

experience any seasonality with respect to our sales, as any such seasonality appears to be unpredictable. Although we believe our customers' historical buying patterns and budgetary cycles may be a factor that impacts our annual and quarterly sales results, we are not able to reliably predict our sales based on seasonality because outside factors (timing of orders, introduction of new products, and other economic factors impacting our industry) can also substantially impact our sales patterns during the year.

Furthermore, because the majority of our sales are spread amongst various retailers, distributors, and direct consumers, our three largest customers accounted for an aggregate of approximately 7% of our total sales in the year ended December 31, 2023. As a result, we do not believe our financial condition and results of operations is dependent on any one particular major customer.

Our plant-based food products are predominantly sold in Europe and primarily in the retail space. The plant-based food market has been growing in Europe and is well developed in the certain parts of Europe. Northern and western parts of Europe are more developed than the southern and south-eastern regions, such as Italy, Spain, Greece, Balkans, Romania, and Bulgaria. Typically, we sell our plant-based food products to distributors for a specific territory within Europe.

Working Capital Items

We believe that our inventory levels are currently adequate for our short-term needs based upon present level of demand. We consider our products to be generally available and current suppliers to be reliable and capable of satisfying anticipated needs.

Competition

The CBD-based consumer product industry is highly competitive and fragmented with numerous companies, consisting of publicly- and privately-owned companies, such as Charlotte's Web Holdings Inc., cbdMD, Inc., Medterra CBD, Inc., and many others. There are also large, well-funded companies that have indicated their intention to compete in the hemp-based product category in the U.S. We routinely evaluate internal and external opportunities to optimize value for shareholders through new product development or by asset acquisitions or sales and believe we are well-positioned to capitalize in the growing CBD product category.

The plant-based food market in Europe is competitive and very fragmented. There are currently not a lot of other brands with a product portfolio similar to ours. Most of our competitors offer refrigerated products.

There are several companies developing cannabinoid therapeutics for a range of medical indications. The cannabinoid therapeutic area currently includes formulated extracts of the *Cannabis* plant and synthetic formulations. These formulations include CBD or THC, or a combination of CBD and THC as the active pharmaceutical ingredient. Certain companies such as GW Pharmaceuticals plc have focused on plant-based CBD formulations, while other companies such as Zynerva Pharmaceuticals, Inc. and Insys Therapeutics, Inc. have focused on synthetic CBD formulations.

Intellectual Property

We have filed trademark applications on our brands, logos and marks in the U.S. and internationally. On January 30, 2016, we received a Notice of Allowance from the U.S. Patent and Trademark Office for our utility patent application number 14/791,184, Novel Process for Generating Hemp Oil with a High CBD Content. This patent covers our solvent-free and highly repeatable process for producing hemp oil with higher concentrations of CBD and expires in 2033.

In May 2016, we filed a patent application for our product candidate CVSI-007 with the USPTO. On May 19, 2020, we received formal notice of issuance from the USPTO for our patent application 15/426,617. The patent covers methods of treating smokeless tobacco addiction by administering pharmaceutical formulations containing CBD and nicotine. We are pursuing similar patent protection in other key markets throughout the world. As of December 31, 2023, our patent has been granted in 10 countries, including the United States, Australia, Canada, Germany, Spain, France, Great Britain, Italy, Netherlands, and Japan.

We review our intellectual property portfolio on a periodic basis, and we will continue to broaden our portfolio in a fiscally prudent manner. In addition to our trademarks (both registered and unregistered) and patents, we rely on a combination of trade secret laws and restrictions on disclosure to protect our intellectual property rights.

Research and Development

Our research and development costs have consisted primarily of salaries and related personnel expense, facilities and equipment expense and other costs. We charge all research and development expenses to operations as incurred in the ongoing development of new consumer products and in development of our drug candidate CVSI-007. We established a cross-functional innovation process for our consumer products development using a modified stage gate process. Our new product development activities include ideation and feasibility, product development, scaleup and validation, and product launch. We incurred research and development expenses of \$0.2 million and \$0.3 million, respectively, for the years ended December 31, 2023 and 2022.

Raw Materials and Product Manufacturing

We have invested significant capital to develop and maintain relationships with growers on a global scale to ensure access to raw materials to support anticipated revenue growth. We have historically sourced our raw materials from well-established and well-recognized hemp growers in Europe. In addition, we have developed relationships with hemp growers in the United States and purchase raw materials domestically as well. We have maintained access to these growers for their raw material supply and continue to explore and develop other relationships to ensure that we can meet the expected demand for hemp-based consumer products well into the future.

We are committed to producing quality products and testing transparency. Our goals include the optimization of our product manufacturing processes and the sourcing of reliable, high-quality raw materials. Our testing procedures are robust and comprehensive, starting with a supply chain built through our supplier verification program. All incoming cannabinoid ingredients are required to be first tested by the supplier at an independent, ISO accredited, third-party laboratory before they reach our production facilities and a Certificate of Analysis provided with each delivery. We then have the cannabinoid ingredients re-tested by an independent, ISO accredited, third-party laboratory to verify the supplier results before they are released into our production process. Final verification is performed by an independent ISO accredited third-party laboratory to ensure the finished products meet our high standards.

We are dedicated to providing the highest quality CBD consumer products on the market. We strive to meet or exceed the FDAs GMP guidelines. These guidelines provide a system of processes, procedures and documentation to assure a product has the identity, strength, composition, quality and purity that appear on its label. Our third party manufacturers use FDA-registered facilities, which are independently GMP certified and subject to continuing independent audit and certification.

Our plant-based products are manufactured at our facility in Warsaw, Poland. We use only high-quality raw materials from selected suppliers to make our plant-based products.

Environmental Matters

No significant pollution or other types of hazardous emission result from the Company's operations, and it is not anticipated that our operations will be materially affected by federal, state or local provisions concerning environmental controls. Our costs of complying with environmental health and safety requirements have not been material.

Furthermore, compliance with federal, state and local requirements regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, have not had, nor are they expected to have, any material effect on the capital expenditures, earnings or competitive position of the Company. However, we will continue to monitor emerging developments in this area.

Employees

We believe that our future success will depend, in part, on our ability to continue to attract, hire, and retain qualified personnel. As of December 31, 2023, we had a total of 43 employees, which included 37 full-time and 1 part-time employee in the US and 5 full-time employees in Poland, compared to 44 employees in the US as of December 31, 2022. As discussed elsewhere in this Annual Report, during the year ended December 31, 2023, we continued to reduce our US employee headcount in connection with our efforts to decrease our costs. In addition to our full-time employees, we contract with third-parties for the conduct of certain marketing, sales and manufacturing efforts as well as certain preclinical, clinical and manufacturing activities related to drug development efforts. Employee health and safety in the workplace is one of our core values. We have no collective bargaining agreements with our employees, and none are represented by labor unions. Management believes the Company has good relationships with its employees.

Company Websites

We maintain a corporate Internet website at: www.cvsciences.com. We also sell our hemp-based products online at: www.pluscbdoil.com and provide additional information on our plant-based food products at: www.culturedfoods.eu. The contents of these websites are not incorporated in or otherwise to be regarded as part of this Annual Report.

We file reports with the SEC, which are available on our website free of charge. These reports include annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, "Section 16" filings on Form 3, Form 4, and Form 5, and other related filings, each of which is provided on our website as soon as reasonably practical after we electronically file such materials with or furnish them to the SEC. In addition, the SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including the Company.

ITEM 1A. RISK FACTORS

Not required for “smaller reporting companies” as defined in Item 10(f)(1) of Regulation S-K.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

We continue to assess and improve the capabilities of our people, processes, and technologies in order to address our cybersecurity risks. We value the importance of assessing, identifying, and managing material risks associated with cybersecurity threats, as such term is defined in Item 106(a) of Regulation S-K. These risks include, among other things: operational risks, intellectual property theft, fraud, extortion, harm to employees or customers and violation of data privacy or security law. Our cybersecurity risks, and the controls designed to mitigate those risks, are included as a part of our overall risk management governance which is reviewed at least annually by our board of directors.

Our IT networks and related systems are critical to the operations of our business and essential to our ability to successfully perform day-to-day operations. Risks from cybersecurity threats are regularly evaluated as a part of our broader risk management activities and as a component of our internal control system. Cybersecurity awareness, including specific topics related to social engineering and email fraud, are included in our employee handbook. We have processes and controls, in particular with respect to our financial and reporting technology, to prevent and minimize cybersecurity risks and attacks. We rely on industry-standard third-party software and vendors for our core systems, including data storage, analysis and backup.

Governance

Our board of directors is responsible for overseeing our cyber security risk management and strategy. Our AVP Logistics, Systems & IT is responsible for managing our outside technology services and has over 10 years of relevant experience. The AVP Logistics, Systems & IT reports directly to our Chief Financial Officer and reviews cybersecurity assessments with our Chief Financial Officer on a regular basis. Our Chief Financial Officer is responsible for escalating any cybersecurity matters as appropriate. The Audit Committee of our board of directors will regularly review cybersecurity requirements and risks on a quarterly basis.

While we believe we have implemented appropriate measures and controls for our business, we may not be successful in preventing or mitigating a cybersecurity incident that could have a material adverse effect on us. To date, to our knowledge, there have been no incidents materially affecting the Company, but a material incident could result in disruption of critical IT networks and systems, impeding our operations, release of confidential information, and/or corruption of data. Such an incident could damage our reputation, brands, future sales and could expose us to potential liability.

ITEM 2. PROPERTIES

As of December 31, 2023, our primary facility consists of approximately 6,000 square feet of leased office and warehouse space located in San Diego, California. The lease term is three years through May 31, 2025 with a total lease obligation of approximately \$0.4 million. In addition, we lease a small manufacturing and office space for our plant-based food products located in Poland. The lease consists of a short-term lease through September 30, 2024. Please see Note 15, Leases, to our consolidated financial statements included in Part IV in this Annual Report for more information.

We believe that our existing facility is sufficient to accommodate our current business operations.

ITEM 3. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, please see Note 14, Commitments and Contingencies, to our consolidated financial statements included in Part IV in this Annual Report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the OTC:QB under the symbol "CVSI." Trading of securities on the OTC:QB is often sporadic and investors may have difficulty buying and selling or obtaining market quotations. Any OTC:QB market quotations reflect inter-dealer quotations, without adjustment for retail mark-up, mark-down, or commission and may not necessarily represent actual transactions.

Holders of Common Stock

As of March 24, 2024, there were 36 registered holders of our common stock. The actual number of holders of our common stock is greater than the number of registered holders, and includes holders who are beneficial owners, but whose securities are held in "nominee" or "street name" by brokers or other nominees.

Dividend Policy

No cash dividends were paid on our common stock in the 2023 and 2022 fiscal years and the Board of Directors has not considered any change in this practice, nor does it expect to consider any such change in this practice in the foreseeable future.

The payment of cash dividends in the future, if ever, will be determined by our Board of Directors, in light of conditions then existing, including our earnings, financial requirements, and opportunities for reinvesting earnings, business conditions, and other factors. There are otherwise no restrictions on the payment of dividends.

Equity Compensation Plan Information

See Part III, Item 12. "Securities Ownership of Certain Owners and Management and Related Stockholder Matters" of this Annual Report for information regarding securities authorized for issuance under equity compensation plans.

Unregistered Sales of Equity Securities

The Company did not sell any unregistered equity securities during the period covered by this Annual Report that were not otherwise disclosed in a Current Report on Form 8-K or our Quarterly Reports on Form 10-Q.

Issuer Repurchases of Equity Securities

We did not repurchase any shares of our common stock during the fourth quarter of the fiscal year covered by this Annual Report.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations for the years ended December 31, 2023 and 2022 should be read in conjunction with our financial statements and the notes to those statements that are included elsewhere in this Annual Report. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of various factors, many of which are out of our control. We use words such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will,” “should,” “could,” and similar expressions to identify forward-looking statements.

OVERVIEW

We are a consumer wellness company specializing in hemp extracts and other proven, science-backed, natural ingredients and products, which are sold through a range of sales channels from B2B to B2C.

Our +PlusCBD™ branded products are sold at select retail locations throughout the U.S. and are the top-selling brands of hemp extracts in the natural products market, according to SPINS, the leading provider of syndicated data and insights for the natural, organic and specialty products industry. We follow all guidelines for GMP and our products are processed, produced, and tested throughout the manufacturing process to confirm strict compliance with company and regulatory standards and specifications. With a commitment to science, +PlusCBD™ product benefits in healthy people are supported by human clinical research data, in addition to three published clinical case studies available on PubMed.gov. +PlusCBD™ was the first hemp extract supplement brand to invest in the scientific evidence necessary to receive self-affirmed GRAS status.

In addition, on December 7, 2023, we entered into a Membership Interest Purchase Agreement, pursuant to which we purchased all of the outstanding equity interests in Cultured Foods Sp. z.o.o., resulting in Cultured Foods becoming a wholly owned subsidiary of the Company. Cultured Foods is a leading European manufacturer and distributor of plant-based, protein products.

We also have a drug development program focused on developing and commercializing CBD-based novel therapeutics.

Our primary offices and facilities are located in San Diego, California and Warsaw, Poland.

Our common stock is traded on the OTC:QB market under the trading symbol CVSI.

Over the last several years, we have built an efficient and cost effective consumer products platform and we continue to evaluate inbound or outbound merger, sale, acquisition or other opportunities for the Company.

Results of Operations**Comparison of the Years ended December 31, 2023 vs. December 31, 2022****Revenues and gross profit**

	Year ended December 31,		Change	
	2023	2022	Amount	%
	(in thousands)			
Product sales, net	\$ 16,004	\$ 16,205	\$ (201)	(1.2)%
Cost of goods sold	8,919	10,655	(1,736)	(16.3)%
Gross profit	\$ 7,085	\$ 5,550	\$ 1,535	27.7 %
Gross margin	44.3 %	34.2 %		

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Revenue by channel

	Year ended December 31, 2023		Year Ended December 31, 2022	
	Amount (in thousands)	% of product sales, net	Amount (in thousands)	% of product sales, net
Business-to-business ("B2B") sales	\$ 9,178	57.3 %	\$ 9,040	55.8 %
Business-to-consumer ("B2C") sales	6,826	42.7 %	7,165	44.2 %
Product sales, net	<u>\$ 16,004</u>	<u>100.0 %</u>	<u>\$ 16,205</u>	<u>100.0 %</u>

We had product sales of \$16.0 million and gross profit of \$7.1 million, representing a gross margin of 44.3%, in 2023 compared to product sales of \$16.2 million and gross profit of \$5.6 million, representing a gross margin of 34.2%, in 2022. Our net product sales decreased by \$0.2 million, or 1.2%, in 2023 when compared to 2022. The decline is primarily due to lower B2C sales in 2023. The total number of units sold during the year ended December 31, 2023 decreased by 6.7% compared to the year ended December 31, 2022, partially offset by higher sales prices of 5.8%. In addition, 33% of our net revenue for the year ended December 31, 2023 was from new products launched since January 1, 2022. During this time period, we launched 28 new products.

Cost of goods sold consists primarily of raw materials, packaging, manufacturing overhead (including payroll, employee benefits, stock-based compensation, facilities, depreciation, supplies and quality assurance costs), merchant card fees and shipping. We were able to reduce our cost of goods sold in 2023 compared to 2022 by \$1.7 million or 16.3%. The reduction is partially due to the lower number of units sold in 2023. In addition, cost of goods sold in 2023 decreased as a percentage of revenue compared to 2022, mostly due to lower shipping and fulfillment cost, lower payroll and other production cost savings. Our gross profit improved by \$1.5 million, or 27.7%, to \$7.1 million in 2023 and gross margins improved from 34.2% in 2022 to 44.3% in 2023. The improvement in our gross margin is primarily due to our continued cost savings of lower shipping and fulfillment cost, lower payroll and other production costs.

Research and development expense

	Year Ended December 31,		Change	
	2023	2022	Amount	%
	(in thousands)			
Research and development expense	\$ 151	\$ 307	\$ (156)	(50.8)%
Percentage of product sales, net	0.9 %	1.9 %		

Research and development ("R&D") expense decreased to \$0.2 million in 2023 compared to \$0.3 million in 2022. The decrease is mostly related to reduced new product development activities for our consumer products.

Selling, general and administrative expense

	Year ended December 31, 2023		Year ended December 31, 2022		Change	
	Amount (in thousands)	% of product sales, net	Amount (in thousands)	% of product sales, net	Amount (in thousands)	%
Sales expense	\$ 3,065	19.1 %	\$ 3,773	23.3 %	\$ (708)	(18.8)%
Marketing expense	2,940	18.4 %	4,425	27.3 %	(1,485)	(33.6)%
General and administrative expense	3,740	23.4 %	3,892	24.0 %	(152)	(3.9)%
Selling, general and administrative expense	<u>\$ 9,745</u>	<u>60.9 %</u>	<u>\$ 12,090</u>	<u>74.6 %</u>	<u>\$ (2,345)</u>	<u>(19.4)%</u>

Selling, general and administrative (“SG&A”) expenses decreased by \$2.3 million, or 19.4%, to \$9.7 million in 2023, from \$12.1 million in 2022. Additionally, SG&A expense as percentage of product sales, net decreased from 74.6% in 2022 to 60.9% in 2023.

- Sales expense decreased by \$0.7 million, or 18.8%, due to lower payroll, stock-based compensation and other sales related expenses. Payroll decreased as a result of lower sales employee headcount. The decline is partially offset by higher commission expense, as a result of increased B2B sales.
- Marketing expense decreased by \$1.5 million, or 33.6%, due to lower payroll, stock-based compensation, outside services and reduced digital marketing activities. Payroll decreased as a result of lower marketing employee headcount.
- General and administrative (“G&A”) expense decreased by \$0.2 million, or 3.9%. In 2022, we recognized the benefit of the employee retention credit of \$2.5 million. In addition, we recognized an intangible asset impairment charge of \$0.3 million and \$1.2 million in 2023 and 2022, respectively. Excluding the impact of these transactions, G&A expenses decreased by \$1.7 million, or 32.9%, as a result of our ongoing efforts to reduce our overall cost structure. We were able to reduce our expenses for payroll, stock-based compensation, professional services, insurance, depreciation and other expense, partially offset by increases in legal expense.

Benefit from reversal of accrued payroll taxes

We previously recorded a contingent liability for payroll taxes associated with the RSU release to our founder in 2019 of \$6.7 million. On April 15, 2023, the statute of limitations for federal payroll tax withholding expired. In addition, the statute of limitations for the state tax withholding expired during the year ended December 31, 2023. As a result of the expiration of the relevant statutes of limitations, the Company believes that neither the IRS nor the State of California have the rights to assess and collect the \$6.2 million of income taxes from CV Sciences and we have made a change in accounting estimate and no longer expect to incur a loss with respect to this matter. As a result, we derecognized the contingent liability of \$6.2 million during the year ended December 31, 2023. For more information, please see Note 13, Related Parties, to our consolidated financial statements included in Part IV in this Annual Report.

Other expenses, net

Other expense, net consists of interest expense, interest income and fair value adjustments to our financial instruments. Other expense decreased by \$1.2 million compared to the year ended December 31, 2022. The decrease is mostly related to lower interest expense for the accretion of the original issuance discount and debt issuance cost for our convertible notes, which were extinguished during 2022. The decrease is partially offset by increases to other operating expenses of \$0.2 million.

Non-GAAP Financial Measures

We use Adjusted EBITDA internally to evaluate our performance and make financial and operational decisions that are presented in a manner that adjusts from their equivalent generally accepted accounting principles (“GAAP”) measures or that supplement the information provided by our GAAP measures. Adjusted EBITDA is defined by us as EBITDA (net income (loss) plus depreciation and amortization expense, and interest expense, minus income tax benefit), further adjusted to exclude certain non-cash expenses and other adjustments as set forth below. We use Adjusted EBITDA because we believe it helps to provide insights in trends in our business in addition to GAAP financial measures, since Adjusted EBITDA eliminates from our results specific financial items that have less bearing on our core operating performance.

We use Adjusted EBITDA in communicating certain aspects of our results and performance, including in this Annual Report, and believe that Adjusted EBITDA, when viewed in conjunction with our GAAP results and the accompanying reconciliation, can provide investors with additional understanding of factors affecting our financial condition and results of operations than GAAP measures alone. In addition, we believe the presentation of Adjusted EBITDA is useful to investors in making period-to-period comparison of results because the adjustments to GAAP are not reflective of our core business performance.

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Adjusted EBITDA is not presented in accordance with, or as an alternative to, GAAP financial measures and may be different from non-GAAP measures used by other companies. We encourage investors to review the GAAP financial measures included in this Annual Report, including our financial statements, to aid in their analysis and understanding of our performance and in making comparisons.

A reconciliation from our net income (loss) to Adjusted EBITDA, a non-GAAP measure, for the years ended December 31, 2023 and 2022 is detailed below:

	Year ended December 31,	
	2023	2022
	(in thousands)	
Net income (loss)	\$ 3,102	\$ (8,214)
Depreciation and amortization	235	992
Interest expense	60	1,541
Income tax benefit	(6)	(47)
EBITDA	3,391	(5,728)
Stock-based compensation (1)	218	1,009
Gain on extinguishment of debt (2)	—	(127)
Intangible asset impairment (3)	251	1,234
Employee retention credit benefit (4)	—	(2,516)
Benefit for reversal of accrued payroll tax (5)	(6,171)	—
Adjusted EBITDA	<u>\$ (2,311)</u>	<u>\$ (6,128)</u>

(1) Represents stock-based compensation expense related to stock options awarded to employees, consultants and non-executive directors based on the grant date fair value using the Black-Scholes valuation model. For more information, please see Note 11, Stock-Based Compensation, to our consolidated financial statements included in Part IV in this Annual Report.

(2) Represents gain on extinguishment of our convertible note during the year ended December 31, 2022. For more information, please see Note 8, Convertible Note, to our consolidated financial statements included in Part IV in this Annual Report.

(3) Represents intangible asset impairment charge. For more information, please see Note 6, Goodwill and Intangible Assets, to our consolidated financial statements included in Part IV in this Annual Report.

(4) Represents benefits related to the employee retention credit. For more information, please see Note 2, Summary of Significant Accounting Policies, to our consolidated financial statements included in Part IV in this Annual Report.

(5) Represents benefits for reversal of accrued payroll tax associated with the RSU release to founder in 2019. For more information, please see Note 13, Related Party, to our consolidated financial statements included in Part IV in this Annual Report.

Liquidity and Capital Resources

During the year ended December 31, 2023, our primary sources of capital came from (i) cash generated from our operations, (ii) existing cash, (iii) funds received from the IRS related to employee retention credits, and (iv) proceeds from third-party financings completed in 2022, including the sale of shares of our preferred stock and promissory notes, to certain investors. As of December 31, 2023, we had approximately \$1.3 million of cash and working capital of approximately \$1.8 million.

For the year ended December 31, 2023, we generated cash flows from operations of \$2.3 million, which included government receipts of \$2.7 million. Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020 and the subsequent extension of the CARES Act, we were eligible for a refundable employee retention tax credit subject to certain criteria. We determined that we qualify for the tax credit under the CARES Act. In 2022, we claimed employee retention tax credits, which were recognized as a reduction to general and administrative expenses of \$2.5 million during the year ended December 31, 2022. The amount was included in prepaid expenses and other in our consolidated balance sheet as of December 31, 2022.

Excluding the funds for employee retention tax credits, we generated negative cash flows from operations of \$0.5 million for the year ended December 31, 2023 and had an accumulated deficit of \$84.6 million. Management

anticipates that we will be dependent, for the near future, on additional investment capital to fund operations, growth initiatives, and will continue to make and implement strategic cost reductions, including reductions in employee headcount, vendor spending, and delaying expenses related to its drug development activities. We intend to position ourselves so that we will be able to raise additional funds through the capital markets, issuance of debt, and/or securing lines of credit.

We believe that a combination of factors have adversely impacted our business operations for the year ended December 31, 2023. Due to a low barrier entry market with a lack of a clear regulatory framework, we face intense competition from both licensed and illicit market operators that may also sell herbal supplements and hemp-based CBD consumer products. Because we operate in a market that is rapidly evolving and expanding globally, our customers may choose to obtain CBD products from our competitors, and our success depends on our ability to attract and retain our customers from purchasing CBD products elsewhere. To remain competitive, we intend to continue to innovate new products, build brand awareness, and make significant investments in our business strategy by introducing new products into the markets in which we operate, adopt quality assurance protocols and procedures, build our market presence, and undertake further research and development.

Management implemented, and continues to make and implement, strategic cost reductions, including reductions in employee headcount, vendor spending, and the delaying of certain expenses related to our drug development activities. During the year ended December 31, 2022, we started outsourcing the majority of our manufacturing, warehousing and fulfillment functions. To the extent that we feel it is necessary and in the best interest of the Company and our shareholders, we may also take further actions that alter our operations in order to ensure the success of our business.

Cultured Foods Acquisition

On December 7, 2023, the Company entered into a Membership Interest Purchase Agreement (the "Purchase Agreement"), by and among the Company, Cultured Foods, Brian Carl McWhorter (the "Member") and Barbara McWhorter, pursuant to which the Company purchased all of the outstanding equity interests in Cultured Foods, resulting in Cultured Foods becoming a wholly owned subsidiary of the Company (the "Acquisition"). Cultured Foods is a leading European manufacturer and distributor of plant-based, protein products. The Acquisition closed on December 7, 2023 (the "Closing Date").

In consideration for the Acquisition, at closing, the Company (i) made a cash payment of \$175,000 to the Member, less a \$17,500 holdback (the "Holdback Amount") and certain other adjustments provided for in the Purchase Agreement (the "Closing Payment"), and (ii) issued an aggregate of 7,074,270 restricted shares of Company common stock to the Member, valued at \$250,000 based on the three day volume weighted average price of the Company's common stock on the three trading days prior to closing (the "Closing Shares," and together with the Closing Payment, the "Closing Consideration"). The Closing Payment is subject to adjustment, upward or downward, based on post-closing adjustments to the net working capital of Cultured Foods within 120 days of closing, as reflected in the Final Working Capital Statement (as defined in the Purchase Agreement). Additionally, within 90 days following the final determination of the Final Working Capital Statement (the "Receivables Date"), the Company shall be entitled to recover from the Member an amount equal to the unpaid balance, as of the Receivables Date, of all accounts receivable which were included in as assets in the Final Working Capital Statement.

The Company shall release the Holdback Amount, less any amounts owed to the Company by the Member pursuant to the Purchase Agreement, including without limitation as a result of the post-closing adjustments discussed above, to the Member one year from the Closing Date.

In addition to the Closing Consideration, and as further consideration for the Acquisition, the Company shall make an additional cash payment to the Member in the form of an earn-out (the "Earnout Amount"), which shall be based on Company revenues generated in fiscal 2024 and will be calculated as follows:

- If Cultured Foods net revenue is at least \$500,000, then the Earnout Amount will be \$110,000.
- If Cultured Foods net revenue is at least \$450,000 but less than \$500,000, then the Earnout Amount will be \$75,000.
- If Cultured Foods net revenue is at least \$400,000 but less than \$450,000, then the Earnout Amount will be \$50,000.

- If Cultured Foods net revenue is at least \$300,000 but less than \$400,000, then the Earnout Amount will be \$20,000.
- If Cultured Foods net revenue (as defined in the Purchase Agreement) is less than \$300,000, then the Earnout Amount will be \$0.

The Earnout Payment shall be paid within 10 business days after the final determination of Cultured Foods net revenue for fiscal 2024, as determined in accordance with the Purchase Agreement.

Pursuant to the Purchase Agreement, the Member agreed that he will not, on any single trading day sell, transfer or otherwise dispose of any Company common stock, including the Closing Shares, in an aggregate amount exceeding the greater of (i) 15% of the of the Company's common stock sold in the aggregate based on the greater of the current or preceding trading day, and (ii) \$3,000 in gross value; provided, however, that in the event that the Company enters into a leak-out agreement with any third party on terms more favorable than the foregoing, the Member shall be afforded the same more favorable terms offered to such third party.

Additionally, for a period of one year following the Closing Date, the Member and Ms. McWhorter, including their affiliates, shall be prohibited from engaging in certain competitive and/or solicitation activities within the United States and the European Union, as more particularly set forth in the Purchase Agreement.

CARES Act

The CARES Act provided an employee retention credit, which is a refundable tax credit against certain employment taxes of up to a maximum of \$5,000 for each employee in 2020 and \$7,000 per employee per quarter from January to September 2021. We determined that we qualify for the tax credit under the CARES Act and filed our amended tax returns in March and August 2022. During the year ended December 31, 2023, we received \$2.7 million of tax credit payments, including interest, under the relief provisions. As discussed in further detail below, pursuant to the Streeterville Note, within three trading days of receipt by the Company of any employee retention credit funds owed to the Company under the CARES Act, such amounts were to be paid to Streeterville pursuant to the terms of the Streeterville Note.

First Insurance Funding Agreements

In November 2023, we entered into a finance agreement with First Insurance Funding in order to fund a portion of our insurance policies. The amount financed is \$0.3 million, which incurs interest at an annual rate of 8.42%. We are required to make monthly payments of \$29,781 from November 2023 through July 2024. The outstanding balance as of December 31, 2023 was \$0.2 million.

In November 2022, we entered into a finance agreement with First Insurance Funding in order to fund a portion of our insurance policies. The amount financed was \$0.2 million, which incurred interest at an annual rate of 6.32%. We were required to make monthly payments of \$27,900 from November 2022 through July 2023. There was no outstanding balance as of December 31, 2023.

March 2022 Purchase Agreement

On March 30, 2022, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with an institutional investor, pursuant to which we agreed to issue and sell 700 shares of our Series A Convertible Preferred Stock (the "Preferred Stock"), which had limited voting rights, including "supervoting" rights equal to 170,000 votes per share of preferred stock on certain stockholder proposals, and warrants to purchase an aggregate of 10,000,000 shares of Company common stock. Shares of the Preferred Stock had a stated value of \$1,000 per share and were convertible at any time into an aggregate of 10,000,000 shares of common stock at a conversion price of \$0.07 per share. We received aggregate gross proceeds of \$0.7 million before deducting placement agent's fees and other offering expenses in connection with this offering. In April 2022, the investor converted all of the 700 outstanding shares of Preferred Stock into an aggregate of 10,000,000 shares of our common stock. We recognized a beneficial conversion charge of \$0.9 million during the year ended December 31, 2022, which represents the in-the-money value of the conversion rate as of the date of the conversion.

The warrants issued pursuant to the Purchase Agreement have an exercise price of \$0.10 per share, became exercisable on June 6, 2022 (the "Initial Exercise Date"), and will expire three years from the Initial Exercise Date.

Streeterville Note

In August 2022, we entered into a note purchase agreement with Streeterville Capital, LLC ("Streeterville"), pursuant to which we issued and sold to Streeterville a secured promissory note ("Streeterville Note") in the original principal amount of \$2.0 million. The Streeterville Note carries an original issuance discount of \$400,000. We incurred additional debt issuance costs of \$23,000. As a result, we received aggregate net proceeds of approximately \$1.6 million in connection with the sale and issuance of the Streeterville Note. We are required to make weekly repayments to Streeterville on the Streeterville Note in the following amounts: (a) \$40,000 for the first eight weeks; and (b) \$56,000 thereafter until the Streeterville Note is paid in full. The unpaid amount of the Streeterville Note, any interest, fees, charges and late fees accrued shall be due and payable in full nine months from August 19, 2022 (the "Maturity Date"); provided, however, that within three trading days of the Company's receipt of any employee retention credit funds owed under the CARES Act, such amounts are required to be paid to Streeterville; provided, further, that if at least \$1.0 million in CARES Act proceeds are not remitted to Streeterville within ninety days of August 19, 2022, the outstanding balance under the Streeterville Note will be increased by five percent (5%). The Company did not receive the CARES Act proceeds within ninety days of August 19, 2022; as a result, the outstanding balance of the Streeterville Note was increased by five percent (5%). The Streeterville Note was secured by all of the Company's assets. The Streeterville Note was repaid in full in April 2023, and there was no outstanding balance as of December 31, 2023.

Accrued Payroll Taxes

The Company previously recorded accrued payroll taxes associated with the RSU release to Mona Jr. in 2019. On April 15, 2023, the statute of limitations for federal payroll tax withholding expired. In addition, the statute of limitations for the state tax withholding expired during the year ended December 31, 2023. As a result of the expiration of the relevant statutes of limitations, the Company believes that neither the IRS nor the State of California have the rights to assess and collect the \$6.2 million of income taxes from CV Sciences and we have made a change in accounting estimate and no longer expect to incur a loss with respect to this matter. As a result, we derecognized the accrued payroll taxes of \$6.2 million during the year ended December 31, 2023. For more information, please see Note 13, Related Parties, to our consolidated financial statements included in Part IV in this Annual Report.

On November 5, 2021, Mona Jr. filed a complaint against the Company seeking to recover federal and state taxes which the taxing authorities assessed against him associated with the RSU release. For more information, please see Note 14, Commitments and Contingencies, to our consolidated financial statements included in Part IV in this Annual Report.

Going Concern

U.S. GAAP requires management to assess a company's ability to continue as a going concern within one year from the financial statement issuance and to provide related note disclosure in certain circumstances. Our consolidated financial statements and corresponding notes have been prepared assuming the Company will continue as a going concern. Excluding the received ERC funds, the Company generated negative cash flows from operations of \$0.5 million for the year ended December 31, 2023 and had an accumulated deficit of \$84.6 million. Management anticipates that the Company will be dependent, for the near future, on additional investment capital to fund our operations and growth initiatives. The Company intends to position itself so that it will be able to raise additional funds through the capital markets, issuance of debt, and/or securing lines of credit in order to continue its operations. However, there can be no assurances that additional working capital will be available to us on favorable terms, or at all, which would be likely to have a material adverse effect on the Company's ability to continue its operations.

The Company's financial operating results and accumulated deficit, besides other factors, raise substantial doubt about the Company's ability to continue as a going concern. The Company will continue to pursue the actions outlined above, as well as work towards increasing revenue and operating cash flows to meet its future liquidity requirements. However, there can be no assurance that the Company will be successful in any capital-raising efforts that it may undertake, and the failure of the Company to raise additional capital could adversely affect its future operations and viability.

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A summary of our changes in cash flows for the years ended December 31, 2023 and 2022 is provided below:

	Year ended December 31,	
	2023	2022
	(in thousands)	
Net cash flows provided by (used in):		
Operating activities	\$ 2,253	\$ (1,885)
Investing activities	(156)	—
Financing activities	(1,391)	1,121
Net increase (decrease) in cash	706	(764)
Cash, beginning of year	611	1,375
Cash, end of year	<u>\$ 1,317</u>	<u>\$ 611</u>

Operating Activities

Net cash provided by (used in) operating activities includes net income (loss) adjusted for non-cash items such as depreciation, bad debt expense, stock-based compensation, employee retention credit benefit, benefit of reversal of payroll tax liability and interest expense related to our promissory notes. Operating assets and liabilities primarily include balances related to funding of inventory purchases and customer accounts receivable. Operating assets and liabilities that arise from the funding of inventory purchases and customer accounts receivable can fluctuate significantly from day to day and period to period depending on the timing of inventory purchases and customer payment behavior.

Cash provided by operating activities was \$2.3 million in the year ended December 31, 2023, compared to cash used in operating activities of \$1.9 million in the year ended December 31, 2022. The improvement in our cash flow from operating activities by \$4.2 million was mostly due to our improved operating performance and the receipt of the ERC funds. Our net income for the year ended December 31, 2023, adjusted for non-cash items, was a net loss of \$1.7 million, compared to a net loss, adjusted for non-cash items, of \$5.4 million in the prior year, an improvement of \$3.7 million. Changes in working capital generated \$4.0 million during the year of 2023, compared to \$3.6 million during the prior year, an improvement of \$0.4 million. Our changes in working capital improved primarily due to the fact that we received the ERC funds of \$2.5 million from the IRS during 2023, partially offset by the collection of a large outstanding receivable with one retailer during 2022. Our net income improved by \$11.3 million from a net loss of \$8.2 million in 2022 to a net income of \$3.1 million in 2023, mostly due to our improved operating performance and the benefit for the reversal of accrued payroll taxes. Non-cash adjustments increased by \$6.2 million, as we recognized a benefit for the reversal of accrued payroll tax of \$6.2 million related to the RSUs previously issued to Mona Jr. Recurring non-cash adjustments consists of depreciation, interest expense and stock-based compensation.

Investing Activities

Cash used in investing activities of \$0.2 million in the year ended December 31, 2023 related to our acquisition of Cultured Foods in December 2023. We did not use any cash in investing activities in 2022.

Financing Activities

Net cash used in financing activities was \$1.4 million for 2023, compared to cash provided by financing activities of \$1.1 million for 2022. Our financing activities for 2023 consisted of repayments of our insurance financing of \$0.3 million and note payable of \$1.1 million. Our financing activities for 2022 consisted of net proceeds from issuance of preferred stock of \$0.6 million, convertible notes of \$1.0 million, and note payable of \$1.6 million, partially offset by repayments of the insurance financing of \$0.3 million, convertible notes of \$0.7 million, and a note payable of \$1.0 million.

Inflation

We have not been affected materially by inflation during the periods presented. However, recent trends towards rising inflation may adversely impact our business and corresponding financial position and cash flow.

Known Trends or Uncertainties

There can be no assurance that the Company's business and corresponding financial performance will not be adversely affected by general economic or consumer trends. In particular, global economic conditions remain constrained, and if such conditions continue, recur or worsen, this may have a material adverse effect on the Company's business, financial condition and results of operations. Additionally, inflation has risen, Federal Reserve interest rates increased during 2023, and the general consensus among economists suggests that we should continue to expect a higher recession risk to continue over the next year, all of which may also materially adversely our business and corresponding financial position and cash flows.

Furthermore, such economic conditions have produced downward pressure on share prices and on the availability of credit for financial institutions and corporations. If current levels of market disruption and volatility continue, the Company might experience reductions in business activity, increased funding costs and funding pressures, as applicable, a decrease in the market price of our common stock, a decrease in asset values, additional write-downs and impairment charges and lower profitability.

We have seen some consolidation in our industry during economic downturns. These consolidations have not had a negative effect on our total sales; however, should consolidations and downsizing in the industry continue to occur, those events could adversely impact our revenues and earnings going forward.

Contractual Obligations

In April 2022, we entered into a new lease agreement for our main office facility in San Diego, California. The lease term is three years through May 31, 2025. Our monthly base rent is \$11,345 through April 30, 2024. The monthly base rent increases to \$11,742 for the period from May 1, 2024 through April 30, 2025 and then increases to \$12,153 for the period from May 1, 2025 to May 31, 2025.

On December 7, 2023, we entered into a purchase agreement to acquire all outstanding equity interests in Cultured Foods. In accordance with the purchase agreement, we shall make an additional cash payment to the prior member of Cultured Foods in the form of an earn-out (the "Earnout Amount"), which shall be based on Cultured Foods revenues generated in fiscal 2024 and will be calculated as follows:

- If Cultured Foods net revenue is at least \$500,000, then the Earnout Amount will be \$110,000.
- If Cultured Foods net revenue is at least \$450,000 but less than \$500,000, then the Earnout Amount will be \$75,000.
- If Cultured Foods net revenue is at least \$400,000 but less than \$450,000, then the Earnout Amount will be \$50,000.
- If Cultured Foods net revenue is at least \$300,000 but less than \$400,000, then the Earnout Amount will be \$20,000.
- If Cultured Foods net revenue (as defined in the Purchase Agreement) is less than \$300,000, then the Earnout Amount will be \$0.

The Earnout Payment shall be paid within 10 business days after the final determination of Cultured Foods' net revenue for fiscal 2024.

We enter into contracts in the normal course of business with vendors and customers for product manufacturing, logistics, shipping, marketing, professional services and other services as part of our operations. These contracts generally provide for termination on notice, and therefore are cancelable contracts and not included as contractual commitments.

Critical Accounting Policies

The preparation of these financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. On an ongoing basis management evaluates its critical accounting policies and estimates.

A “critical accounting policy” is one which is both important to the understanding of the financial condition and results of operations of the Company and requires management’s most difficult, subjective, or complex judgments, and often requires management to make estimates about the effect of matters that are inherently uncertain. Management believes the following accounting policies fit this definition:

Intangible Assets – We classify intangible assets into three categories: (1) intangible assets with definite lives subject to amortization; (2) intangible assets with indefinite lives not subject to amortization; and (3) goodwill. We determine the useful lives of our identifiable intangible assets after considering the specific facts and circumstances related to each intangible asset. Factors we consider when determining useful lives include the contractual term of any agreement related to the asset, the historical performance of the asset, our long-term strategy for using the asset, any laws or regulations which could impact the useful life of the asset and other economic factors, including competition and specific market conditions. Intangible assets that are deemed to have definite lives are amortized, primarily on a straight-line basis, over their useful lives to their estimated residual values, generally five years.

In-process research & development (“IPR&D”) has an indefinite life and is not amortized until completion and development of the project, at which time the IPR&D becomes an amortizable asset. Until such time as the projects are either completed or abandoned, we test those assets for impairment at least annually at year end, or more frequently at interim periods, by evaluating qualitative factors which could be indicative of impairment. Qualitative factors being considered include, but are not limited to, macro-economic conditions, progress on drug development activities, and overall financial performance. If impairment indicators are present as a result of our qualitative assessment, we will test those assets for impairment by comparing the fair value of the assets to their carrying value. Quantitative factors being considered include, but are not limited to, the current project status, forecasted changes in the timing or amounts required to complete the project, forecasted changes in timing or changes in the future cash flows to be generated by the completed products, a probability of success of the ultimate project and changes to other market-based assumptions, such as discount rates, current Company market capitalization and estimates of the fair value of the Company’s reporting units. Upon completion or abandonment, the value of the IPR&D assets will be amortized to expense over the anticipated useful life of the developed products, if completed, or charged to expense when abandoned if no alternative future use exists.

As a result of our intangible asset impairment test, we recorded an intangible asset impairment charge of \$0.3 million for the year ended December 31, 2023.

Revenue Recognition – The majority of our revenue contracts represent a single performance obligation related to the fulfillment of customer orders for the purchase of our products, which is primarily related to our *Plus CBD™* line of products. Net sales reflect the transaction prices for these contracts based on our selling list price, which is then reduced by estimated costs for trade promotional programs, consumer incentives, and allowances and discounts used to incentivize sales growth and build brand awareness. We recognize revenue at the point in time that control of the ordered product is transferred to the customer, which is typically upon shipment to the customer or other customer-designated delivery point. We accrue for estimated sales returns by customers based on historical sales return results. The computation of the sales return and discount allowances require that management makes certain estimates and assumptions that affect the timing and amounts of revenue and liabilities recorded. Shipping and handling fees charged to customers are included in product sales and totaled \$0.1 million for each of the years ended December 31, 2023 and 2022. Taxes collected from customers that are remitted to governmental agencies are accounted for on a net basis and not included as revenue.

Stock-Based Compensation – Certain employees, officers, directors, and consultants participate in our 2023 Equity Incentive Plan, which was adopted in June 2023, and prior to the adoption, participated in our Amended and Restated 2013 Equity Incentive Plan, as amended, which provide for the granting of stock options, restricted stock awards, restricted stock units, stock bonus awards and performance-based awards. Stock options generally vest in equal increments over a two- to four-year period and expire on the tenth anniversary following the date of grant. Performance-based stock options vest once the applicable performance condition is satisfied.

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The risk-free interest rates are based on the implied yield available on U.S. Treasury constant maturities with remaining terms equivalent to the respective expected terms of the options. Expected volatility is based on the historical volatility of our common stock. We estimate the expected term for stock options awarded to employees, officers and directors using the simplified method in accordance with Accounting Standards Codification ("ASC") Topic 718, Stock Compensation, because we do not have sufficient relevant historical information to develop reasonable expectations about future exercise patterns. In the future, as we gain historical data for the actual term over which stock options are held, the expected term may change, which could substantially change the grant-date fair value of future stock option awards, and, consequently, compensation of future grants.

We recognize stock-based compensation as compensation and benefits expense in the statements of operations. The fair value of stock options is estimated using a Black-Scholes valuation model on the date of grant. The fair value of restricted stock awards is equal to the closing price of our stock on the date of grant. Stock-based compensation is recognized over the requisite service period of the individual awards, which generally equals the vesting period. For performance-based stock options, compensation is recognized once the applicable performance condition is probable of being satisfied.

Recent Accounting Pronouncements

Refer to Note 2 of our consolidated financial statements for a discussion of recent accounting standards and pronouncements.

Off-Balance Sheet Arrangements

None.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for "smaller reporting companies" as defined in Item 10(f)(1) of Regulation S-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this item are set forth at the pages indicated in Part IV, Item 15(a)(1) of this Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. Our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures as of December 31, 2023 and, based on their evaluation, have concluded that the disclosure controls and procedures were effective as of such date.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and the dispositions of our assets; (2) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with appropriate authorizations; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision of and with the participation of our management, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2023, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013). Based on our evaluation under this framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2023.

On December 7, 2023, we acquired all issued and outstanding shares of Cultured Foods. We did not include internal controls over financial reporting at Cultured Foods in our assessment as of December 31, 2023.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the quarter ended December 31, 2023, we established adequate controls designed to provide reasonable assurance regarding the financial reporting of Cultured Foods and the associated consolidation of Cultured Foods into our consolidated financial statements. Other than the changes related to Cultured Foods, there were no changes in our internal control over financial reporting during the quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

This Annual Report does not include an attestation report of our independent registered public accounting firm on the Company's internal controls as the Company is a non-accelerated filer and is thus not required to provide such a report.

ITEM 9B. OTHER INFORMATION

During the three months ended December 31, 2023, no director or officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted or terminated any "Rule 10b5-1 trading arrangement" or any "non Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Information required by this item will be contained in our definitive proxy statement to be filed with the Securities and Exchange Commission in connection with our 2024 Annual Meeting of Stockholders, or the Definitive Proxy Statement, which is expected to be filed not later than 120 days after the end of our fiscal year ended December 31, 2023 and is incorporated herein by reference.

There have been no material changes to the procedures by which security holders may recommend nominees to our Board of Directors since we last described such procedures.

The Company has a Code of Ethics which is posted on our website at: www.cvsciences.com.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item will be contained in our Definitive Proxy Statement, which is expected to be filed not later than 120 days after the end of our fiscal year ended December 31, 2023 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item will be contained in our Definitive Proxy Statement, which is expected to be filed not later than 120 days after the end of our fiscal year ended December 31, 2023 and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item will be contained in our Definitive Proxy Statement, which is expected to be filed not later than 120 days after the end of our fiscal year ended December 31, 2023 and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this item will be contained in our Definitive Proxy Statement, which is expected to be filed not later than 120 days after the end of our fiscal year ended December 31, 2023 and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. Financial Statements

The following financial statements of the Company are submitted herewith:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2023 and 2022

Consolidated Statements of Operations for the years ended December 31, 2023 and 2022

Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2023 and 2022

Consolidated Statements of Stockholders' Equity (Deficit) for the years ended December 31, 2023 and 2022

Consolidated Statements of Cash Flows for the years ended December 31, 2023 and 2022

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

Schedules are not submitted because they are not applicable or not required under Regulation S-X or because the required information is included in the financial statements or notes thereto.

3. Exhibits required to be filed by Item 601 of Regulations S-K

A list of exhibits is set forth on the Exhibit Index as included in this Annual Report on Form 10-K are incorporated by reference.

ITEM 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit No.	Description of Exhibit	Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1	Agreement and Plan of Merger, dated as of July 25, 2013, by and between CannaVest Corp., a Texas corporation, and CannaVest Corp., a Delaware corporation.	10-Q	000-54677	2.1	August 13, 2013	
2.2	Agreement and Plan of Reorganization by and among CannaVEST Corp., CANNAVEST Merger Sub, Inc., CANNAVEST Acquisition LLC, CanX, Inc., and The Starwood Trust, as the Shareholder Representative	8-K	000-54677	2.1	January 4, 2016	
2.3	Amendment No. 1 to the Agreement and Plan of Reorganization, dated as of March 16, 2017, by and among the Company, CANNAVEST Acquisition LLC, and the Starwood Trust, as the Shareholder Representative	10-Q	000-54677	10.4	May 9, 2017	
2.4	Membership Interest Purchase Agreement, dated December 7, 2023, by and among the Company, Cultured Foods Sp. z.o.o., Brian McWhorter and Barbara McWhorter					X
3.1	Certificate of Incorporation of CannaVest Corp., as filed on July 26, 2013.	10-Q	000-54677	3.1	August 13, 2013	
3.2	Bylaws of CannaVest Corp., dated as of June 26, 2013.	10-Q	000-54677	3.2	August 13, 2013	
3.3	Certificate of Amendment to Certificate of Incorporation of CannaVest Corp., as filed on January 4, 2016	10-K	000-54677	3.3	April 14, 2016	
3.4	Certificate of Incorporation of the Company, as amended.	10-Q	000-54677	3.4	May 16, 2016	
3.5	Amendment to the Bylaws of the Company, as amended.	8-K	000-54677	3.1	March 22, 2017	
3.6	Bylaws of the Company, as amended.	10-Q	000-54677	3.6	May 9, 2017	
3.7	Amendment to the Bylaws of the Company, as amended.	8-K	000-54677	3.1	June 14, 2021	
3.8	Certificate of Designation of Preference, Rights and Limitations of Convertible Preferred Stock.	8-K	000-54677	3.1	April 1, 2022	
3.9	Certificate of Amendment to Certificate of Incorporation of CV Sciences, Inc., as filed on June 6, 2022	10-Q	000-54677	3.9	August 15, 2022	
4.1	CannaVest Corp. Specimen Stock Certificate	8-K	000-54677	4.1	July 31, 2013	
4.2	Description of Registrant's Securities.	10-K	000-54677	4.2	April 4, 2022	

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Exhibit No.	Description of Exhibit	Form	File No.	Exhibit	Filing Date	Filed Herewith
4.3	Form of Warrant, dated March 30, 2022	8-K	000-54677	4.1	April 1, 2022	
4.4	Form of Placement Agent Warrant, dated March 30, 2022	8-K	000-54677	4.2	April 1, 2022	
10.1 †	2013 Equity Incentive Plan Form of Stock Option Grant Notice and Form of Stock Option Agreement.	S-8	333-199173	4.2	October 6, 2014	
10.2 †	Amended and Restated 2013 Equity Incentive Plan, as amended.	8-K	000-54677	10.1	June 17, 2019	
10.3 †	Employment Agreement, dated July 6, 2016, by and between the Company and Michael J. Mona, Jr.	10-Q	000-54677	10.1	November 1, 2016	
10.4 †	Non-Qualified Stock Option Agreement, by and between the Company and Michael J. Mona, Jr., dated July 6, 2016.	10-Q	000-54677	10.4	November 1, 2016	
10.5 †	Amendment to Employment Agreement, dated March 16, 2017, by and between the Company and Michael Mona, Jr.	10-Q	000-54677	10.5	May 9, 2017	
10.6 †	Amendment to Employment Agreement, dated March 16, 2017, by and between the Company and Michael Mona III	10-Q	000-54677	10.6	May 9, 2017	
10.7 †	Amendment to Stock Option Agreement, dated March 16, 2017, to that certain Non-Qualified Stock Option Agreement, dated July 6, 2016, by and between the Company and Michael Mona, Jr.	10-Q	000-54677	10.7	May 9, 2017	
10.8 †	Non-Qualified Stock Option Agreement, dated March 15, 2017, by and between the Company and Michael Mona, Jr.	10-Q	000-54677	10.10	May 9, 2017	
10.9 †	Employment Agreement, dated June 8, 2018, by and between the Company and Mr. Mona, Jr.	10-Q	000-54677	10.1	August 1, 2018	
10.10 †	Restricted Stock Unit Award Agreement, dated June 8, 2018, by and between the Company and Mr. Michael Mona, Jr.	10-Q	000-54677	10.2	August 1, 2018	
10.11 †	Employment Agreement, dated June 23, 2021, by and between the Company and Mr. Joseph Dowling	8-K	000-54677	10.1	June 29, 2021	
10.12 †	Employment Agreement, dated December 17, 2021, by and between the Company and Mr. Joerg Grasser.	8-K	000-54677	10.1	December 21, 2021	
10.13	Form of Securities Purchase Agreement, dated March 30, 2022.	8-K	000-54677	10.1	April 1, 2022	

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Exhibit No.	Description of Exhibit	Form	File No.	Exhibit	Filing Date	Filed Herewith
10.14 †	Amendment to amended and restated Equity Incentive Plan, as amended, dated March 30, 2022.	10-K	000-54677	10.40	April 4, 2022	
10.15 †	Amendment No. 1 to Executive Employment Agreement, dated January 5, 2023, by and between the Company and Mr. Joseph Dowling	10-K	000-54677	10.45	March 30, 2023	
10.16 †	Amendment No. 1 to Executive Employment Agreement, dated January 5, 2023, by and between the Company and Mr. Joerg Grasser	10-K	000-54577	10.46	March 30, 2023	
10.17 †	CV Sciences, Inc. 2023 Equity Incentive Plan	8-K	000-54577	10.1	June 5, 2023	
10.18 †	Form of Stock Option Grant Notice and Form of Stock Option Agreement	10-Q	000-54577	10.4	August 14, 2023	
19.1	Insider Trading Policy					X
21.1	Subsidiaries					X
23.1	Consent of Haskell & White LLP, Independent Registered Public Accounting Firm.					X
31.1*	Certification of the Principal Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.					X
31.2*	Certification of the Principal Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101 INS*	Inline XBRL Instance Document**					X
101 SCH*	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents**					X
104**	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101 attachments)					X

* Filed herewith.

† Indicates a management contract or compensatory plan or arrangement.

** The XBRL related information in Exhibit 101 shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by

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reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

SIGNATURES

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

CV Sciences, Inc.
(Registrant)

By /s/ Joseph D. Dowling
Joseph D. Dowling
Chief Executive Officer
Dated March 29, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Joseph D. Dowling</u> Joseph D. Dowling	Chief Executive Officer and Director (Principal Executive Officer)	March 29, 2024
<u>/s/ Joerg Grasser</u> Joerg Grasser	Chief Financial Officer (Principal Financial and Accounting Officer)	March 29, 2024
<u>/s/ Jamie Corroon</u> Jamie Corroon	Director	March 29, 2024
<u>/s/ Bill McCorkle</u> Bill McCorkle	Director	March 29, 2024

CV Sciences, Inc.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
CV Sciences, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of CV Sciences, Inc. (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity (deficit), and cash flows for each of the years then ended, and the related notes (collectively, the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, and the consolidated results of its operations and its cash flows for each of the years then ended, in conformity with U.S. generally accepted accounting principles.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 to the consolidated financial statements, the Company has experienced recurring operating losses, negative cash flows from operations, and has limited liquid resources. These matters raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (CONTINUED)

Critical Audit Matter

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Haskell & White LLP
HASKELL & WHITE LLP

We have served as the Company's auditor since 2021.

Irvine, California
March 29, 2024

CV SCIENCES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	As of December 31,	
	2023	2022
Assets		
Current assets:		
Cash	\$ 1,317	\$ 611
Accounts receivable, net	431	766
Inventory	5,655	6,563
Prepaid expenses and other		3,190
	535	
Total current assets	7,938	11,130
Property and equipment, net	379	575
Right of use assets	167	275
Intangibles, net	78	251
Goodwill	342	—
Other assets	296	505
Total assets	\$ 9,200	\$ 12,736
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	\$ 2,309	\$ 2,284
Accrued expenses	3,422	9,690
Operating lease liability - current	130	117
Debt, net of debt discounts	254	1,223
Total current liabilities	6,115	13,314
Operating lease liability - net of current portion	58	188
Deferred tax liability	19	11
Other liabilities	105	—
Total liabilities	6,297	13,513
Commitments and contingencies (Note 14)		
Stockholders' equity (deficit)		
Preferred stock, par value \$0.0001; 10,000 shares authorized; 1 shares issued as of December 31, 2023 and 2022; no shares outstanding as of December 31, 2023 and 2022	—	—
Common stock, par value \$0.0001; 790,000 shares authorized; 161,678 and 152,104 shares issued and outstanding as of December 31, 2023 and 2022, respectively	16	15
Additional paid-in capital	87,464	86,897
Accumulated deficit	(84,587)	(87,689)
Accumulated other comprehensive income	10	—
Total stockholders' equity (deficit)	2,903	(777)
Total liabilities and stockholders' equity (deficit)	\$ 9,200	\$ 12,736

The accompanying notes are an integral part of these statements.

See Report of Independent Registered Public Accounting Firm.

CV SCIENCES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	For the Years Ended December 31,	
	2023	2022
Product sales, net	\$ 16,004	\$ 16,205
Cost of goods sold	8,919	10,655
Gross profit	7,085	5,550
Operating expenses:		
Research and development	151	307
Selling, general and administrative	9,745	12,090
Benefit from reversal of accrued payroll taxes (Note 13)	(6,171)	—
Total operating expenses	3,725	12,397
Operating income (loss)	3,360	(6,847)
Gain on debt extinguishment	—	(127)
Other expense, net	264	1,541
Income (loss) before income taxes	3,096	(8,261)
Income tax benefit	(6)	(47)
Net income (loss)	3,102	(8,214)
Deemed dividend for beneficial conversion of Series A Convertible Preferred Stock	—	920
Net income (loss) attributable to common stockholders	\$ 3,102	\$ (9,134)
Weighted average common shares outstanding		
Basic	153,954	138,034
Diluted	153,955	138,034
Net income (loss) per share attributable to common stockholders		
Basic	\$ 0.02	\$ (0.07)
Diluted	\$ 0.02	\$ (0.07)

The accompanying notes are an integral part of these statements.
See Report of Independent Registered Public Accounting Firm.

CV SCIENCES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	For the Years Ended December 31,	
	2023	2022
Net income (loss)	\$ 3,102	\$ (8,214)
Other comprehensive income:		
Foreign currency translation adjustment	10	—
Total comprehensive income (loss)	<u>\$ 3,112</u>	<u>\$ (8,214)</u>

The accompanying notes are an integral part of these statements.
See Report of Independent Registered Public Accounting Firm.

CV SCIENCES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulat ed Deficit	Accumulat ed Other Comprehe nsive Income	Total
	Shares	Amount	Shares	Amount				
Balance - December 31, 2021	—	\$ —	112,482	\$ 11	\$ 83,007	\$ (79,475)	\$ —	\$ 3,543
Issuance of preferred stock and common stock warrants, net of issuance costs	1	280	—	—	274	—	—	554
Conversion of preferred stock	(1)	(280)	10,000	1	279	—	—	—
Beneficial conversion charge for preferred stock conversion	—	(920)	—	—	920	—	—	—
Deemed dividend	—	920	—	—	(920)	—	—	—
Issuance of common stock from note conversion	—	—	24,126	2	1,944	—	—	1,946
Issuance of common stock for services	—	—	5,496	1	384	—	—	385
Stock-based compensation	—	—	—	—	1,009	—	—	1,009
Net loss	—	—	—	—	—	(8,214)	—	(8,214)
Balance - December 31, 2022	—	—	152,104	15	86,897	(87,689)	—	(777)
Issuance of common stock for services	—	—	2,500	—	100	—	—	100
Issuance of common stock for acquisition	—	—	7,074	1	249	—	—	250
Stock-based compensation	—	—	—	—	218	—	—	218
Foreign currency translation adjustment	—	—	—	—	—	—	10	10
Net income	—	—	—	—	—	3,102	—	3,102
Balance - December 31, 2023	—	\$ —	161,678	\$ 16	\$ 87,464	\$ (84,587)	\$ 10	\$ 2,903

The accompanying notes are an integral part of these statements.
See Report of Independent Registered Public Accounting Firm.

CV SCIENCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
(in thousands)

	For the years ended December 31,	
	2023	2022
OPERATING ACTIVITIES		
Net income (loss)	\$ 3,102	\$ (8,214)
Adjustments to reconcile net income (loss) to net cash flows provided by (used in) operating activities:		
Depreciation and amortization	235	992
Stock-based compensation	218	1,009
Note discount and interest expense	112	1,563
Non-cash lease expense, net	108	70
Impairment of intangible assets	251	1,234
Benefit from reversal of accrued payroll tax (Note 13)	(6,171)	—
Gain on debt extinguishment	—	(127)
Employee retention credit benefit	—	(2,516)
Loss on disposal of fixed assets	—	150
Deferred taxes	(14)	(51)
Other	407	449
Change in operating assets and liabilities:		
Accounts receivable, net	352	1,065
Inventory	1,042	2,061
Prepaid expenses and other	2,931	1,680
Accounts payable and accrued expenses	(320)	(1,250)
Net cash flows provided by (used in) operating activities	2,253	(1,885)
INVESTING ACTIVITIES		
Acquisition of business, net of cash acquired	(156)	—
Net cash flows used in investing activities	(156)	—
FINANCING ACTIVITIES		
Repayment of note payable	(1,117)	(953)
Repayment of unsecured debt	(274)	(336)
Proceeds from issuance of preferred stock and common stock warrants	—	700
Issuance costs related to issuance of preferred stock and common stock warrants	—	(146)
Proceeds from issuance of convertible notes	—	1,000
Debt issuance costs related to convertible notes	—	(46)
Proceeds from note payable	—	2,000
Debt issuance costs related to note payable	—	(423)
Repayment of convertible notes	—	(675)
Net cash flows provided by (used in) financing activities	(1,391)	1,121
Net increase (decrease) in cash	706	(764)
Cash, beginning of year	611	1,375
Cash, end of year	<u>\$ 1,317</u>	<u>\$ 611</u>

The accompanying notes are an integral part of these statements.

See Report of Independent Registered Public Accounting Firm.

	For the years ended December 31,	
	2023	2022
Supplemental cash flow disclosures:		
Interest paid	\$ 7	\$ 6
Income taxes paid	\$ —	\$ 2
Supplemental disclosure of non-cash transactions:		
Purchase of insurance through issuance of note payable (Note 8)	\$ 259	\$ 245
Conversion of convertible debt	\$ —	\$ (1,284)
Services paid with common stock	\$ 100	\$ 385
Fair value of assets acquired, excluding cash	\$ 275	\$ —
Liabilities assumed	(77)	—
Goodwill on acquisition	336	—
Common stock consideration	(250)	—
Holdback liability	(18)	—
Contingent consideration	(88)	—
Deferred tax liabilities	(22)	—
Cash paid for acquisition	\$ 156	\$ —

The accompanying notes are an integral part of these statements.

See Report of Independent Registered Public Accounting Firm.

CV SCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS

CV Sciences, Inc. (the “Company”) was incorporated under the name Foreclosure Solutions, Inc. in the State of Texas on December 9, 2010. On July 25, 2013, CannaVest Corp., a Texas corporation (“CannaVest Texas”), merged with the Company, a wholly-owned Delaware subsidiary of CannaVest Texas, to effectuate a change in the Company’s state of incorporation from Texas to Delaware. On January 4, 2016, the Company filed a Certificate of Amendment of Certificate of Incorporation reflecting its corporate name change to “CV Sciences, Inc.”, effective on January 5, 2016. In addition, on January 4, 2016, the Company amended its Bylaws to reflect its corporate name change to “CV Sciences, Inc.”

The Company develops, manufactures, markets and sells herbal supplements and hemp-based cannabidiol (“CBD”). The Company sells its products under tradenames, such as +*PlusCBD*[™] and +*PlusCBD*[™]*Pet*. The Company’s products are sold in a variety of market sectors including nutraceutical, beauty care and specialty foods. In addition, the Company is developing drug candidates which use CBD as a primary active ingredient.

On December 7, 2023, the Company acquired Cultured Foods Sp. z.o.o., a limited liability company organized under the laws of Poland (“Cultured Foods”). Cultured Foods is a leading European manufacturer and distributor of plant-based protein products. The Company’s plant-based food products are sold under the Cultured Foods brand.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). On December 7, 2023, the Company acquired Cultured Foods. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates - The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results may differ from these estimates. Significant estimates include the valuation of intangible assets, inputs for valuing equity awards, and assumptions related to revenue recognition.

Concentrations of Credit Risk - As of December 31, 2023, the Federal Deposit Insurance Corporation (“FDIC”) provided insurance coverage of up to \$0.3 million per depositor per bank. The Company has not experienced any losses in such accounts and does not believe that the Company is exposed to significant risks from excess deposits. The Company’s cash balance in excess of FDIC limits totaled \$1.0 million as of December 31, 2023. The Company has not experienced any such losses in these accounts to date, and believes that the financial institutions at which such amounts are held are stable; however, no assurance can be provided.

The Company sources its raw materials from suppliers in Europe and the U.S. One supplier of shipping and fulfillment services accounted for 18% and 27% of our outstanding accounts payable as of December 31, 2023 and 2022, respectively. In addition, one supplier for online marketing services accounted for 17% and 13% of our outstanding accounts payable as of December 31, 2023 and 2022, respectively. There was no other concentration of suppliers and no concentration of accounts receivable or revenue as of and for the years ended December 31, 2023 and 2022.

Fair Value Measurements - Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The carrying values of accounts receivable, other current assets, accounts payable, and certain accrued expenses as of December 31, 2023 and 2022, approximate their fair value due to the short-term nature of these items. The Company’s notes payable balance also approximates fair value as of December 31, 2023, as the interest rates on the notes payable approximate the rates available to the Company as of this date. The accounting guidance establishes a three-level hierarchy for disclosure that is based on the extent and level of judgment used to estimate the fair value of assets and liabilities.

•Level 1 - uses unadjusted quoted prices that are available in active markets for identical assets or liabilities. The Company does not have any cash equivalents or restricted cash as of December 31, 2023 and 2022.

CV SCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company does not have any liabilities that are valued using inputs identified under a Level 1 hierarchy as of December 31, 2023 and 2022.

- Level 2 - uses inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs to valuation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates and volatility, can be corroborated by readily observable market data. Except as described below under the caption Goodwill and Intangible Assets, the Company did not have any assets or liabilities that are valued using inputs identified under a Level 2 hierarchy as of December 31, 2023 and 2022.

- Level 3 - uses one or more significant inputs that are unobservable and supported by little or no market activity, and that reflect the use of significant management judgment. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, and significant management judgment or estimation. The Company did not have any assets or liabilities that are valued using inputs identified under a Level 3 hierarchy as of December 31, 2023 and 2022.

Liquidity Considerations – U.S. GAAP requires management to assess a company's ability to continue as a going concern within one year from the consolidated financial statement issuance and to provide related note disclosure in certain circumstances. The accompanying consolidated financial statements and notes have been prepared assuming the Company will continue as a going concern. For the year ended December 31, 2023, the Company generated cash flows from operations of \$2.3 million, which included government receipts of \$2.7 million. Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Company was eligible for a refundable employee retention tax credit subject to certain criteria. The Company determined that it qualifies for the tax credit under the CARES Act. In 2022, the Company claimed employee retention tax credits, which were recognized as a reduction to general and administrative expenses of \$2.5 million during the year ended December 31, 2022. The amount was included in prepaid expenses and other in the Company's consolidated balance sheet as of December 31, 2022.

Excluding the funds from the employee retention tax credit, the Company generated negative cash flows from operations of \$0.5 million for the year ended December 31, 2023 and had an accumulated deficit of \$84.6 million. Management anticipates that the Company will be dependent, for the near future, on additional investment capital to fund operations, growth initiatives, and will continue to make and implement strategic cost reductions, including reductions in employee headcount, vendor spending, and delaying expenses related to its drug development activities. The Company intends to position itself so that it will be able to raise additional funds through the capital markets, issuance of debt, and/or securing lines of credit.

The Company's financial operating results and accumulated deficit, besides other factors, raise substantial doubt about the Company's ability to continue as a going concern. The Company will continue to pursue the actions outlined above, as well as work towards increasing revenue and operating cash flows to meet its future liquidity requirements. However, there can be no assurance that the Company will be successful in any capital-raising efforts that it may undertake, and the failure of the Company to raise additional capital could adversely affect its future operations and viability.

Debt Issuance Costs – The Company presents its debt issuance costs and debt discounts as a direct deduction from the carrying amount of the related indebtedness on its consolidated balance sheet and amortizes these costs over the term of the related debt liability using the effective interest method. Amortization is recorded in interest expense in the consolidated statements of operations.

Accounts Receivable – Generally, the Company requires payment prior to shipment. However, in certain circumstances, the Company extends credit to companies located throughout the U.S. Accounts receivable consist of trade accounts arising in the normal course of business. Accounts for which no payments have been received after 30 days are considered delinquent and customary collection efforts are initiated. Accounts receivable are carried at original invoice amount less a reserve made for doubtful receivables based on a review of all outstanding amounts on a quarterly basis.

CV SCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Management has determined the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition and credit history, and current economic conditions. As of December 31, 2022, the Company maintained an allowance for doubtful accounts related to accounts receivable in the amount of \$0.4 million. The allowance for doubtful accounts as of December 31, 2023 was not material.

Inventory – Inventory is stated at lower of cost or net realizable value, with cost being determined on an average cost basis. Cost includes costs directly related to manufacturing and distribution of the products. Primary costs include raw materials, packaging, manufacturing overhead, shipping and depreciation of manufacturing equipment and production facilities. Manufacturing overhead includes payroll, employee benefits, utilities, maintenance and property taxes. Total shipping and handling costs were \$1.9 million and \$2.2 million for the years ended December 31, 2023 and 2022, respectively, and are recorded in cost of goods sold.

The Company performs an assessment of inventory obsolescence to measure inventory at the lower of cost or net realizable value. Factors considered in the determination of obsolescence include slow-moving or non-marketable items.

The Company's inventory production process includes the processing and cultivation of botanical raw material. Because of the duration of the cultivation process, a portion of our inventory will not be sold within one year. Consistent with the practice in other industries that cultivate botanical raw materials, all inventory is classified as a current asset.

Property & Equipment – Equipment is stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use. Depreciation is provided on a straight-line basis over the assets' estimated useful lives. Maintenance or repairs are charged to expense as incurred. Upon sale or disposition, the historically-recorded asset cost and accumulated depreciation are removed from the respective accounts and any related gain or loss is recognized.

Impairment of Long-Lived Assets – In accordance with ASC Topic 360, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of property and equipment is measured by comparing its carrying value to the undiscounted projected future cash flows that the assets are expected to generate. If the carrying amount of an asset is not recoverable, the Company recognizes an impairment loss based on the excess of the carrying amount of the long-lived asset over its respective fair value, which is generally determined as the present value of estimated future cash flows or at the appraised value. The impairment analysis is based on significant assumptions of future results made by management, including revenue and cash flow projections. Circumstances that may lead to impairment of property and equipment include a significant decrease in the market price of a long-lived asset, a significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition and a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset including an adverse action or assessment by a regulator. As of December 31, 2023 and 2022, the Company determined that long-lived assets were not impaired.

Segments – Operating segments are defined as components of an entity for which discrete financial information is available that is regularly reviewed by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources and in assessing performance. As such, the Company has one operating segment, which is the business of hemp-based CBD wellness products. All long-lived assets are located in the United States and substantially all revenue is attributed to customers and consumers based in the United States.

The Company previously reported two distinct business segments: a consumer products segment in manufacturing, marketing and selling hemp-based CBD products to a range of market sectors; and a specialty pharmaceutical segment focused on developing and commercializing novel therapeutics utilizing CBD. Effective October 1, 2022, the Company no longer maintains separate financial information for which operating results are evaluated on a regular basis by the CODM in deciding how to allocate resources and in assessing performance.

Goodwill and Intangible Assets – The Company evaluates the carrying value of goodwill and intangible assets annually during the fourth quarter in accordance with ASC Topic 350, *Intangibles Goodwill and Other*, and between

CV SCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator.

Goodwill is evaluated for impairment by first performing a qualitative assessment to determine whether a quantitative goodwill test is necessary. If it is determined, based on qualitative factors, that the fair value of the reporting unit may more likely than not be less than carrying amount, or if significant adverse changes in the Company's future financial performance occur that could materially impact fair value, a quantitative goodwill impairment test would be required. Additionally, management can elect to forgo the qualitative assessment and perform the quantitative test. If the qualitative assessment indicates that the quantitative analysis should be performed, or if management elects to bypass a qualitative assessment, the Company then evaluates goodwill for impairment by comparing the fair value of the reporting unit to its carrying amount, including goodwill. The quantitative assessment for goodwill requires management to estimate the fair value of the Company's reporting units using either an income or market approach or a combination thereof.

Management makes critical assumptions and estimates in completing impairment assessments of goodwill and other intangible assets. The Company's cash flow projections look several years into the future and include assumptions on variables such as future sales and operating margin growth rates, economic conditions, probability of success, market competition, inflation and discount rates.

During the fourth quarter of 2023, the Company performed its annual goodwill impairment analysis following the steps laid out in ASC 350-20-35-3C. The Company's annual impairment analysis includes a qualitative assessment to determine if it is necessary to perform the quantitative impairment test. In performing a qualitative assessment, the Company reviewed events and circumstances that could affect the significant inputs used to determine if the fair value is less than the carrying value of goodwill. The Company determined that no triggering event had occurred to necessitate performing the quantitative impairment test. As a result, the Company did not record any goodwill impairment charges for the year ended December 31, 2023. The Company did not have any goodwill as of December 31, 2022.

The Company classifies intangible assets into three categories: (1) intangible assets with definite lives subject to amortization; (2) intangible assets with indefinite lives not subject to amortization; and (3) goodwill. As of December 31, 2023, the Company has in-process research & development ("IPR&D") with an indefinite life and trademarks and customer relationships acquired from Cultured Foods with a definite life. IPR&D is not amortized until completion and development of the project, at which time the IPR&D becomes an amortizable asset. Until such time as the projects are either completed or abandoned, the Company tests those assets for impairment at least annually at year end, or more frequently at interim periods, by evaluating qualitative factors which could be indicative of impairment. Qualitative factors being considered include, but are not limited to, macro-economic conditions, progress on drug development activities, and overall financial performance. If impairment indicators are present as a result of the Company's qualitative assessment, the Company will test those assets for impairment by comparing the fair value of the assets to their carrying value. Quantitative factors being considered include, but are not limited to, the current project status, forecasted changes in the timing or amounts required to complete the project, forecasted changes in timing or changes in the future cash flows to be generated by the completed products, a probability of success of the ultimate project and changes to other market-based assumptions, such as current Company market capitalization. Upon completion or abandonment, the value of the IPR&D assets will be amortized to expense over the anticipated useful life of the developed products, if completed, or charged to expense when abandoned if no alternative future use exists.

The Company completed its annual impairment assessment during the fourth quarter of 2023 and 2022. The Company evaluated, on the basis of the weight of the evidence, the significance of all identified events and circumstances that could affect the significant inputs used to determine the fair value of the IPR&D for determining whether it is more likely than not that the IPR&D asset is impaired. After assessing the totality of events and circumstances and their potential effect on significant inputs to the fair value determination, the Company determined that it is more likely than not that the IPR&D asset is impaired. As such, the Company has estimated the fair value of the IPR&D and performed the quantitative impairment test. Based on the quantitative impairment test, the Company determined that

CV SCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

its IPR&D is impaired by \$0.3 million for the year ended December 31, 2023. An intangible asset impairment charge of \$0.3 million was recorded during the year ended December 31, 2023.

Revenue Recognition – The majority of the Company's revenue contracts represent a single performance obligation related to the fulfillment of customer orders for the purchase of its products. Net sales reflect the transaction prices for these contracts based on the Company's selling list price, which is then reduced by estimated costs for trade promotional programs, consumer incentives, and allowances and discounts used to incentivize sales growth and build brand awareness. The Company recognizes revenue at the point in time that control of the ordered product is transferred to the customer, which is typically upon shipment to the customer or other customer-designated delivery point. The Company accrues for estimated sales returns by customers based on historical sales return results. The computation of the sales return and other allowances require that management makes certain estimates and assumptions that effect the timing and amounts of revenue and liabilities recorded. Shipping and handling fees charged to customers are included in product sales and totaled \$0.1 million for the year ended December 31, 2022. Shipping and handling fees charged to customers was not material for the year ended December 31, 2023. Taxes collected from customers that are remitted to governmental agencies are accounted for on a net basis and not included as revenue.

The following represents product sales by retail (B2B) and e-commerce (B2C) channels for the years ended December 31, 2023 and 2022:

	For the years ended December 31,			
	2023		2022	
	Amount (in thousands)	% of product sales, net	Amount (in thousands)	% of product sales, net
Retail sales (B2B)	\$ 9,178	57.3 %	\$ 9,040	55.8 %
E-Commerce sales (B2C)	6,826	42.7 %	7,165	44.2 %
Product sales, net	<u>\$ 16,004</u>	<u>100.0 %</u>	<u>\$ 16,205</u>	<u>100.0 %</u>

Compensation and Benefits – The Company records compensation and benefits expense for all cash and deferred compensation, benefits, and related taxes as earned by its employees. Compensation and benefits expense also includes compensation earned by temporary employees and contractors who perform similar services to those performed by the Company's employees, primarily information technology and project management activities. The Company maintains a defined contribution 401(k) plan available to eligible employees. Employee contributions are voluntary and are determined on an individual basis, limited to the maximum amount allowable under federal tax regulations. The Company does not make matching contributions.

Research and Development Expense – Research and development costs are charged to expense as incurred and include, but are not limited to, employee salaries and benefits, cost of inventory used in product development and consulting service fees. Research and development expense was \$0.2 million and \$0.3 million for the years ended December 31, 2023 and 2022, respectively.

Advertising – The Company supports its products with advertising to build brand awareness of the Company's various products in addition to other marketing programs executed by the Company's marketing team. The Company believes the continual investment in advertising is critical to the development and sale of its products. Advertising costs of \$1.1 million and \$1.2 million were expensed as incurred during each of the years ended December 31, 2023 and 2022, respectively.

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Common Stock Warrants - The Company classifies as equity any warrants that (i) require physical settlement or net-share settlement or (ii) provide the Company with a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). The Company assesses classification of its common stock warrants and other freestanding derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required. The Company's freestanding derivatives consist of warrants to purchase common stock that were issued in connection with its convertible preferred stock. The Company evaluated these warrants to assess their proper classification, and determined that the common stock warrants meet the criteria for equity classification in the accompanying balance sheets.

Stock-Based Compensation - Certain employees, officers, directors, and consultants of the Company participate in various long-term incentive plans that provide for granting stock options, restricted stock awards, restricted stock units, stock bonus awards and performance-based awards. Stock options generally vest in equal increments over a two- to four-year period and expire on the tenth anniversary following the date of grant. Performance-based stock options vest once the applicable performance condition is probable of being satisfied.

The Company recognizes stock-based compensation for equity awards granted to employees, officers and directors as compensation and benefits expense in the statements of operations. The fair value of stock options is estimated using a Black-Scholes valuation model on the date of grant. The fair value of restricted stock awards is equal to the closing price of the Company's stock on the date of grant. Stock-based compensation is recognized over the requisite service period of the individual awards, which generally equals the vesting period. For performance-based stock options, compensation is recognized once the applicable performance condition is satisfied.

Income Taxes - Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the related temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized when the rate change is enacted. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized. In accordance with ASC Topic 740, *Income Taxes*, the Company recognizes the effect of uncertain income tax positions only if the positions are more likely than not of being sustained in an audit, based on the technical merits of the position. Recognized uncertain income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which those changes in judgment occur. The Company recognizes both interest and penalties related to uncertain tax positions as part of the income tax provision. As of December 31, 2023 and 2022, the Company did not have a liability for unrecognized tax uncertainties. The Company is subject to routine audits by taxing jurisdictions.

Foreign Currency - The Company translates the assets and liabilities of its foreign subsidiary into U.S. Dollars at current rates of exchange in effect at the end of the reporting period. Income and expense items are translated at rates that approximate the rates in effect at the transaction date. Gains and losses from translation are included in accumulated other comprehensive income or loss. Gains or losses resulting from foreign currency transactions during the year ended December 31, 2023 (transactions denominated in a currency other than the entity's functional currency) are included as other income in the Company's consolidated statements of operations. The Company did not have any foreign currency translation gains (losses) during the year ended December 31, 2022.

Recent Accounting Pronouncements Not Yet Adopted

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, *Income Taxes (Topic 740): Improvements to Income Taxes Disclosures*, which requires greater disaggregation of income tax disclosures. The new standard requires additional information to be disclosed with respect to the income tax rate reconciliation and income taxes paid disaggregated by jurisdiction. This ASU should be applied prospectively for fiscal years beginning after December 15, 2024, with retrospective application permitted. The Company is currently evaluating the impacts of this guidance on the Company's Consolidated Financial Statements.

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In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): *Improvements to Reportable Segment Disclosures*, which requires companies to enhance the disclosures about segment expenses. The new standard requires the disclosure of the Company's Chief Operating Decision Maker ("CODM"), expanded incremental line-item disclosures of significant segment expenses used by the CODM for decision-making, and the inclusion of previous annual only segment disclosure requirements on a quarterly basis. This ASU should be applied retrospectively for fiscal years beginning after December 15, 2023, and early adoption is permitted. The Company is currently evaluating the impacts of this guidance on the Company's Consolidated Financial Statements.

Recently Adopted Accounting Standards

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments* and subsequent amendments to the initial guidance: ASU 2018-19, ASU 2019-04 and ASU 2019-05 (collectively, "Topic 326"). Topic 326 requires measurement and recognition of expected credit losses for financial assets held. Topic 326 was to be effective for reporting periods beginning after December 15, 2019, with early adoption permitted. In November 2019, the FASB issued ASU 2019-10, Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842) Effective Dates, which deferred the effective dates for the Company, as a smaller reporting company, until fiscal year 2023. The Company adopted the guidance as of January 1, 2023. Adoption of this guidance did not have a material impact on the Company's consolidated financial statements or its disclosures.

3. INVENTORY

Inventory as of December 31, 2023 and 2022 was comprised of the following (in thousands):

	December 31,	
	2023	2022
Raw materials	\$ 2,892	\$ 3,563
Work in process	1,181	1,020
Finished goods	1,582	1,980
	\$ 5,655	\$ 6,563

During the year ended December 31, 2022, the Company recorded additions to the inventory provision of \$0.3 million. Additions to the inventory provision for the year ended December 31, 2023 were not material. The Company had inventory outside the United States of \$0.1 million as of December 31, 2023. The Company did not have any inventory outside the United States as of December 31, 2022.

4. PROPERTY AND EQUIPMENT

Property and equipment, net, as of December 31, 2023 and 2022 were as follows (in thousands):

	Useful Lives	December 31,	
		2023	2022
Office furniture and IT equipment	3 - 5 years	\$ 1,393	\$ 1,392
Machinery and equipment	7 years	37	—
		1,430	1,392
Less: accumulated depreciation		(1,051)	(817)
		\$ 379	\$ 575

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Depreciation expense for the years ended December 31, 2023 and 2022 was \$0.2 million and \$1.0 million, respectively. During the year ended December 31, 2022, the Company sold or disposed of property and equipment with original cost of \$3.9 million and recognized a loss on disposal of \$0.2 million. During the year ended December 31, 2022, the Company recorded accelerated depreciation for tenant improvements associated with the lease termination agreement for its main facility.

5.ACQUISITIONS

On December 7, 2023, the Company acquired all the issued and outstanding shares of Cultured Foods. Cultured Foods manufactures and distributes plant-based food products. Cultured Foods is based in Poland. This acquisition provided the Company with growth opportunities in both plant-based food products and distribution of CBD products into Europe.

The acquisition closed on December 7, 2023 and, accordingly, the consolidated statements of operations and comprehensive income (loss) included Cultured Foods' results of operations for the period from December 7, 2023 through December 31, 2023. If the acquisition had taken place as of January 1, 2023, net revenue and net income for the year ended December 31, 2023 would have been \$16.2 million and \$3.0 million, respectively. Net revenue and net loss of Cultured Foods since the date of the acquisition have been immaterial.

As a result of the business combination, acquisition costs of \$0.1 million was expensed as incurred during the year ended December 31, 2023.

The following table outlines the total consideration transferred (in thousands):

Cash	\$	192
Common shares		250
Earn-out		88
Total consideration transferred	<u>\$</u>	<u>530</u>

The following table summarizes the assets acquired and liabilities assumed as of the acquisition date (in thousands):

Cash	\$	18
Accounts receivable and other receivables		11
Inventories		133
Intangible assets		78
Other current assets		17
Fixed assets		38
Goodwill		334
Total assets		629
Accounts payable and accrued liabilities		27
Current note payable		50
Deferred tax liabilities		22
Total liabilities		99
Net assets acquired	<u>\$</u>	<u>530</u>

The fair value of acquired intangible assets were determined using a forecasted cash flow and a cost approach. Acquired intangible assets consists of trade names and customer relationships. The Company assigned a 5-year useful life to the acquired intangible assets. The Company determined that Cultured Foods carrying costs approximates fair value for all other acquired assets and assumed liabilities.

Included in the purchase agreement is an earn-out provision whereby the Company agreed to pay the Cultured Foods' selling shareholder additional consideration contingent on achievement of certain annual revenue results of Cultured

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Foods in 2024. The Company accrued the fair value of \$88,000 for this earn-out provision and recorded this amount as additional goodwill and other non-current liabilities as of December 31, 2023. The valuation and purchase price allocation for the Cultured Foods acquisition remains preliminary and will be finalized no later than one year after the acquisition date. As of the date of this Annual Report, management is still in the process of evaluating the estimated fair value of the consideration transferred. In addition, management is still evaluating the allocation of the acquisition purchase price to the tangible and intangible assets acquired, liabilities assumed, and the resulting goodwill. Management's analysis of these items has not yet been completed because of the inherent complexities of estimating fair values. Therefore, the business combination amounts presented were determined by management based on its consideration of all currently available information; however, management has not fully completed its business combination analysis and such amounts must be considered provisional amounts.

6. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The following table summarizes the changes in the carrying amounts of goodwill (in thousands):

	Carrying Amount
Balance - December 31, 2022:	\$ —
Acquisition of Cultured Foods	334
Translation adjustment	8
Balance - December 31, 2023:	<u>\$ 342</u>

As of December 31, 2023, the Company performed its annual goodwill impairment analysis following the steps laid out in ASC 350-20-35-3C. The Company's annual impairment analysis included a qualitative assessment to determine if it was necessary to perform the quantitative impairment test. After performing a qualitative test the Company concluded that it was more likely than not that the fair value of the Company exceeds its carrying value of goodwill. Accordingly, there was no indication of impairment and the qualitative impairment test was not performed. The Company did not record any goodwill impairment charges for the year ended December 31, 2023. The Company did not have any goodwill as of December 31, 2022.

Intangible Assets

The following table summarizes the intangible assets and the related accumulated amortization (in thousands):

	December 31, 2023		December 31, 2022	
Gross carrying amount	\$	79	\$	251
Accumulated amortization		(1)		-
Net carrying amount	<u>\$</u>	<u>78</u>	<u>\$</u>	<u>251</u>

The Company evaluated, on the basis of the weight of the evidence, the significance of all identified events and circumstances that could affect the significant inputs used to determine the fair value of the IPR&D for determining whether it is more likely than not that the IPR&D asset is impaired. After assessing the totality of events and circumstances and their potential effect on significant inputs to the fair value determination, the Company determined that it is more likely than not that the IPR&D asset is impaired. As such, the Company has estimated the fair value of the IPR&D and performed the quantitative impairment test. Based on the quantitative impairment test, the Company determined that its IPR&D is impaired by \$0.3 million. As a result, the Company recorded this impairment to reduce its intangible assets on its consolidated balance sheet as of December 31, 2023 and recorded the corresponding impairment expense, which is included in selling, general and administrative expense in the Company's consolidated statements of operations for the year ended December 31, 2023. The Company also recorded an impairment charge to reduce its intangible assets of \$1.2 million during the year ended December 31, 2022.

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Changes in the carrying amounts of intangible assets are summarized below (in thousands):

	In-process research and development	Trade names	Customer relationships	Total
Balance - December 31, 2021:	\$ 1,485	\$ —	\$ —	1,485
Impairment	(1,234)	—	—	(1,234)
Balance - December 31, 2022:	251	—	—	251
Impairment	(251)	—	—	(251)
Acquisition of Cultured Foods	—	52	26	78
Amortization	—	(1)	—	(1)
Translation adjustments	—	1	—	1
Balance - December 31, 2023:	<u>\$ —</u>	<u>\$ 52</u>	<u>\$ 26</u>	<u>\$ 78</u>

The Company did not incur costs to renew or extend the term of acquired intangible assets for the years ended December 31, 2023 and 2022. The estimated amortization expense for the Company's intangible assets is not significant in any future individual fiscal year.

7. ACCRUED EXPENSES

Accrued expenses as of December 31, 2023 and 2022 were as follows (in thousands):

	December 31,	
	2023	2022
Accrued payroll tax - Mona (Note 13)	\$ 522	\$ 6,694
Accrued payroll expenses	1,388	1,447
Other accrued liabilities	1,512	1,549
	<u>\$ 3,422</u>	<u>\$ 9,690</u>

8. CONVERTIBLE NOTES

Convertible notes as of December 31, 2022 were as follows (in thousands):

	December 31, 2022
Principal amount	\$ 2,120
Less: Original issuance discount ("OID")	(120)
Less: Debt issuance costs	(275)
Net proceeds	1,725
Default premium	179
Conversion of note into common shares	(1,514)
Accretion of OID and amortization of debt issuance costs	395
Repayment	(675)
Settlement	(110)
Carrying amount	<u>\$ —</u>

The Company did not have any convertible notes as of December 31, 2023.

On November 14, 2021, the Company entered into a securities purchase agreement (the "SPA"), with an institutional investor (the "Investor") providing for the sale and issuance in series of registered direct offerings of senior convertible notes (the "Notes") in the aggregate original principal amount of up to \$5.3 million (the "Offering"). On November 17, 2021, at the initial closing of this Offering, the Company sold and issued \$1.06 million in aggregate principal amount of Notes to the Investor pursuant to a prospectus supplement to its effective shelf registration statement Form S-3 (Registration No. 333-237772) (the "Registration Statement"). The Notes had an OID of 6%, resulting in net proceeds to the Company of \$1.0 million before other debt issuance costs, and mature on May 17, 2022. The Notes

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did not bear interest except upon the occurrence of an event of default. After the occurrence of an event of default, the Notes accrued interest at the rate of 15% per annum. The Notes were senior to other indebtedness of the Company.

The Notes had an initial fixed conversion price of \$0.2611 per share. The initial fixed conversion price was subject to proportional adjustment upon the occurrence of any stock split, stock dividend, stock combination and/or similar transactions and full-ratchet adjustment in connection with a subsequent offering at a per share price less than the fixed conversion price then in effect. Upon each additional closing, the fixed conversion price of all outstanding Notes was subject to downward adjustment if greater than the lower of (i) 120% of the closing bid price of the Company's common stock on the trading day immediately preceding such additional closing date; and (ii) 120% of the arithmetic average of the volume weighted average prices of the Company's common stock on the five trading days preceding the additional closing. The holder was able to convert any part of the Notes into shares of common stock at an "Alternate Conversion Price" equal to the lesser of (i) the fixed conversion price then in effect; (ii) the greater of the floor price of \$0.01 and 90% of the arithmetic average of the three lowest daily volume weighted average prices of the Company's common stock during the ten trading days immediately prior to such conversion; and (iii) the greater of the floor price and 97% of the lowest sale price of the Company's common stock on the applicable conversion date.

In the event of the occurrence of an event of default, each holder of a Note could require the Company to redeem all or any portion of the Notes (including all accrued and unpaid interest and late charges thereon), in cash, at the greater of the face value and a 15% redemption premium or (10% if such event of default is a price default) to the greater of the face value and the equity value of the common stock underlying the Notes. The equity value of the common stock underlying the Notes was calculated using the greatest closing sale price of the common stock on any trading day immediately preceding such event of default and the date the entire payment is made. Additionally, the Company had the option to redeem, at any time, any portion of the outstanding Notes in cash with a 15% redemption premium to the greater of the face value of the Notes or the equity value of its common stock.

On March 25, 2022, the Company sold and issued an additional \$1.06 million in principal amount of the Notes under this Offering (the "Second Tranche"), which Notes were offered pursuant to a prospectus supplement to the Registration Statement. The Notes issued in the Second Tranche also had an OID of 6%, resulting in net proceeds of the Company of \$1.0 million, before other debt issuance costs. The Notes issued in the Second Tranche had the same material terms as those issued in the first tranche, but were scheduled to mature on September 25, 2022. The Notes issued in the second tranche had an initial conversion price of \$0.1508 per share, and pursuant to the Notes, upon closing of second tranche, the initial conversion price of the Notes issued in the first tranche in November 2021 was adjusted down from \$0.2611 per share to \$0.1508 per share as well.

The Company did not repay the Notes issued in November in full on May 17, 2022, the maturity date, resulting in an event of default under such Notes. As a result of such default, the Notes issued in November, in the principal amount of \$130,000 as of such date, began accruing interest at a rate of 15% per annum. Additionally, the default triggered the investor's right under the Notes to require the Company to redeem all or any portion of the November Notes, in cash, at a price not less than the face value of such Notes plus a 15% redemption premium (the "Redemption Premium").

On May 18, 2022, the Company entered into a Forbearance Agreement with the investor, pursuant to which the investor agreed to forbear exercising any rights or remedies that it may have under the November Notes that arise as a result of the default until the earlier of (i) the date immediately prior to the date of occurrence of a Bankruptcy Event of Default (as defined in the Notes), (ii) the date of occurrence of any other event of default under Section 4(a) of the Notes, (iii) the time of any breach by the Company pursuant to the Forbearance Agreement, and (v) June 1, 2022 (such period, the "Forbearance Period"). In accordance with the Forbearance Agreement, the Company agreed to pay the investor the aggregate outstanding principal on the November Note at the Redemption Premium, including all accrued and unpaid interest, upon expiration of the Forbearance Period. As of May 31, 2022, prior to expiration of the Forbearance Period, the investor had converted the outstanding balance (including the Redemption Premium and accrued interest) due under the Notes issued in November, amounting to \$151,772, into an aggregate of 3,751,971 shares of Company common stock at a conversion price of \$0.04 per share. As a result, the Notes issued in November terminated.

During the year ended December 31, 2022, the volume weighted average price ("VWAP") of the Company's common stock was below \$0.10 for more than 5 days, which constituted a price default in accordance with the Notes. As a

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result, from the date of such default and for so long as such default remained uncured, the Notes that remained outstanding accrued interest at a rate of 15% per annum. Following such default, the holder also added a 15% per annum default premium to the outstanding balance in accordance with the Notes.

During the years ended December 31, 2022, holders of certain Notes converted amounts payable under such Notes into an aggregate of 24,126,311 shares of Company common stock at a weighted average conversion price of \$0.05 per share, resulting in a reduction of the Note balance of \$1.3 million. In addition, the Company recognized additional interest expense associated with the conversion of \$0.6 million during the years ended December 31, 2022.

On August 18, 2022, the Company entered into the Cancellation Agreement with the investor, pursuant to which the Company paid the investor a total sum of \$675,000 in full satisfaction and repayment of the Notes issued in the Second Tranche. Upon execution of the Cancellation Agreement, the Notes issued in the Second Tranche, including the Company's obligations thereunder, were cancelled and terminated. As a result of the Cancellation Agreement, the Company recognized a gain on debt extinguishment of \$127,000, including interest expense of \$17,000, and immediately expensed unamortized debt costs of \$50,000.

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9. DEBT

Debt as of December 31, 2023 and 2022 was as follows (in thousands):

	December 31,	
	2023	2022
Note payable, net of discount and costs	\$ —	\$ 1,005
Insurance financing	204	218
Cultured Foods note payable (Note 5)	50	—
Total debt	\$ 254	\$ 1,223

Note Payable

In August 2022, the Company entered into a note purchase agreement with Streeterville, pursuant to which the Company issued and sold to Streeterville the secured Streeterville Note in the original principal amount of \$2.0 million. The Streeterville Note carried an original issuance discount of \$400,000. The Company incurred additional debt issuance costs of \$23,000. As a result, the Company received aggregate net proceeds of approximately \$1.6 million in connection with the sale and issuance of the Streeterville Note. The Streeterville Note was scheduled to mature on May 19, 2023 and the Company was required to make weekly repayments to Streeterville on the Note in the following amounts: (a) \$40,000 for the first 8 weeks; and (b) \$56,000 thereafter until the Streeterville Note was paid in full.

No interest was to accrue on the Streeterville Note until an occurrence of an Event of Default, as defined in Section 4 of the Streeterville Note, if ever. The Streeterville Note provided for customary events of default, including, among other things, the event of nonpayment of principal, interest, fees or other amounts, a representation or warranty proving to have been incorrect when made, failure to perform or observe covenants within a specified period of time, a cross-default to certain other indebtedness of the Company, the bankruptcy or insolvency of the Company or any significant subsidiary, monetary judgment defaults of a specified amount and other defaults resulting in liability of a specified amount. In the event of an occurrence of an Event of Default by the Company, Streeterville could have declared all amounts owed under the Streeterville Note immediately due and payable. Also, a late fee and interest penalty of equal to either 22% per annum or the maximum rate allowable under law, whichever is lesser, could have been applied to any outstanding amount not paid when due or that remains outstanding while an Event of Default exists.

The unpaid amount of the Streeterville Note, any interest, fees, charges and late fees accrued was due and payable in full within three trading days of receipt by the Company of any employee retention credit funds owed to the Company under the CARES Act, provided, further, that if at least \$1.0 million in CARES Act proceeds were not remitted to Streeterville within ninety days of August 19, 2022, the outstanding balance under the Streeterville Note was to be increased by 5%. The Company did not receive the CARES Act proceeds within ninety days of August 19, 2022; as a result, the outstanding balance of the Streeterville Note was increased by 5%. The Streeterville Note was secured by all of the Company's assets as set forth in the Security Agreement dated August 19, 2022.

The Company made principal payments to Streeterville of \$1.1 million during the year ended December 31, 2023. As a result, the Streeterville Note has been fully repaid and satisfied, and the Company's obligation thereunder, were cancelled and terminated.

Insurance Financing

In October 2023, the Company entered into a finance agreement with First Insurance Funding ("First Insurance") in order to fund a portion of its insurance policies for the upcoming policy year. The amount financed was \$0.3 million and incurs interest at a rate of 8.42% per annum. The Company is required to make monthly payments of \$29,781 from November 2023 through July 2024. The outstanding balance as of December 31, 2023 is \$0.2 million.

In November 2022, the Company entered into a finance agreement with First Insurance in order to fund a portion of its insurance policies for the most recent policy year. The amount financed was \$0.2 million, which incurred interest at a rate of 6.32% per annum. The Company was required to make monthly payments of \$27,900 from November 2022 through July 2023. There was no outstanding balance as of December 31, 2023.

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Cultured Foods Note Payable

The Company assumed the outstanding note payable of Cultured Foods. The note is payable to the prior owner of Cultured Foods is due within the next 12 months. The note carries an interest rate of 9% per annum. Subsequent to December 31, 2023, the Company repaid the entire outstanding amount of the notes payable including interest.

10. STOCKHOLDERS EQUITY

Common Stock

On June 6, 2022, the Company filed a Certificate of Amendment to its Certificate of Incorporation with the Secretary of State of the State of Delaware, pursuant to which the number of shares of all classes of the Company's capital stock authorized for issuance was increased from 200,000,000 shares to 800,000,000 shares, and the number of shares of common stock authorized for issuance was correspondingly increased from 190,000,000 shares to 790,000,000 shares. The number of shares of preferred stock authorized for issuance was not impacted by the amendment. As of December 31, 2023 and 2022, the Company had 161,678,000 and 152,104,000 shares of common stock issued and outstanding, respectively.

During the year ended December 31, 2022, the Company issued 5,496,000 shares of common stock to a vendor as compensation for \$0.4 million of services provided to the Company. In accordance with the agreement, the Company issued 2,500,000 additional shares of common stock to the vendor during the year ended December 31, 2023. Subsequent to December 31, 2023, the Company issued the vendor an additional 1,549,410 shares of common stock.

Preferred Stock

On March 30, 2022, the Company closed a registered direct offering with an institutional investor for the issuance and sale of an aggregate of 700 shares of the Company's Series A Convertible Preferred Stock ("Preferred Stock") and warrants to purchase up to an aggregate of 10,000,000 shares of common stock, par value \$0.0001 per share, for gross proceeds of \$0.7 million, or net cash proceeds of \$0.6 million after deducting \$0.1 million related to placement agent's fees and other offering expenses. Shares of the Preferred Stock had a stated value of \$1,000 per share and were convertible into an aggregate of 10,000,000 shares of common stock at a conversion price of \$0.07 per share at any time. The warrants have an exercise price of \$0.10 per share. In addition, the Company issued designees of the placement agent warrants to purchase up to 750,000 shares of common stock at an exercise price of \$0.0875 per share, and their fair value of \$0.1 million was recorded as an additional offering cost. In April 2022, the investor converted all of the 700 outstanding shares of Preferred Stock into an aggregate of 10,000,000 shares of common stock.

The Preferred Stock did not have any mandatory redemption provisions, contingently redeemable redemption provisions, preferential dividend rights, or liquidation preferences. The Preferred Stock had no voting rights, other than the right to vote as a class on certain matters, except that each share of Preferred Stock had the right to cast 170,000 votes per share of Preferred Stock, voting together as a single class with holders of Company common stock, on the proposals to (i) amend the Company's Certificate of Incorporation to increase the number of shares of capital stock authorized for issuance thereunder from 200,000,000 to 800,000,000 and the authorized number of shares of common stock from 190,000,000 to 790,000,000 shares (the "Increase in Authorized"), and (ii) authorize the Company's board of directors, at any time or times before May 30, 2025, to amend the Company's Certificate of Incorporation to effectuate a reverse stock split of the Company's issued and outstanding shares of common stock in a range of not less than 1-for-10 and not greater than 1-for-400, which were presented to the Company's shareholders for approval, and were ultimately approved by the Company's shareholders, at the Company's 2022 annual meeting of shareholders.

The Company evaluated the classification of the Preferred Stock and determined equity classification was appropriate due to no mandatory or contingently redeemable redemption features. The warrants issued to the investors in the offering were considered freestanding equity classified instruments. The Company first allocated gross proceeds from the registered direct offering between the Preferred Stock and the warrants issued to investors using a relative fair value approach, resulting in an initial allocation to the instruments of \$0.4 million and \$0.3 million, respectively. The issuance costs, inclusive of the fair value of the warrants issued to placement agent designees, were allocated between the Preferred Stock and the warrants issued to investors in a systematic and rational manner, resulting in an allocation

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to the instruments of \$0.1 million and \$0.1 million, for a net allocation of \$0.3 million and \$0.2 million, respectively. On the issuance date, the Company estimated the fair value of the warrants issued to investors and to placement agent designees using a Black-Scholes pricing model using the following assumptions: (i) contractual term of 3 years, (ii) expected volatility rate of 104.0%, (iii) risk-free interest rate of 2.5%, (iv) expected dividend rate of 0%%, and (v) closing price of the Company's common stock as of the day immediately preceding the registered direct offering. The fair value of Preferred Stock was estimated based upon equivalent common shares that Preferred Stock could have been converted into at the closing price of the day immediately preceding the purchase date.

The embedded conversion feature was evaluated and bifurcation from the Preferred Stock equity host was not considered necessary. Upon conversion of the Preferred Stock to common stock in April 2022, the Company recognized a deemed dividend of \$0.9 million.

Warrants

The following represents a summary of the warrants outstanding as of December 31, 2023 and 2022:

Issue Date	Classification	Exercise Price	Expiration Date	Number of Shares Underlying Warrants	
				December 31, 2023	December 31, 2022
March 30, 2022	Equity	\$ 0.1000	June 6, 2025	10,000,000	10,000,000
March 30, 2022	Equity	\$ 0.0875	June 6, 2025	750,000	750,000
				10,750,000	10,750,000

11. STOCK-BASED COMPENSATION

As of December 31, 2022, there were 30,976,000 shares authorized for issuance under the CV Sciences, Inc. Amended and Restated 2013 Equity Incentive Plan (the "2013 Plan"). On June 11, 2019, the Company's stockholders approved an amendment to the 2013 Plan to add an automatic "evergreen" provision regarding the number of shares to be annually added to the 2013 Plan. As a result, for as long as the 2013 Plan remained in effect, the number of shares of common stock that would be automatically added to the 2013 Plan on January 1 of each year during the term of the plan, starting with January 1, 2020, was the lesser of: (a) 4% of the total shares of the Company's common stock outstanding on December 31st of the prior year, (b) 4,000,000 shares of the Company's common stock, or (c) a lesser number of shares of the Company's common stock as determined by the Company's Board of Directors. On January 1, 2023, the Company added 4,000,000 shares of the Company's common stock to the 2013 Plan pursuant to the evergreen provision, resulting in a total of 34,976,000 shares authorized for issuance under the 2013 Plan.

In March 2022, the Company cancelled 9,000,000 outstanding stock options. In addition, on March 30, 2022 the Company's Board of Directors reduced the shares available for issuance under the 2013 Plan by 8,000,000 shares.

On June 1, 2023, the 2013 Plan terminated and was replaced by the 2023 Plan (defined below); future issuances of incentive instruments will be made under and governed by the 2023 Plan. Outstanding awards issued under the 2013 Plan will remain subject to the terms and conditions of the 2013 Plan, provided that to the extent that outstanding awards under the 2013 Plan are forfeited or lapse unexercised, the shares of common stock subject to such awards will no longer be available for future issuance under the 2013 Plan or any other equity incentive plan of the Company.

On June 1, 2023, the Company's shareholders approved the adoption of the new 2023 Equity Incentive Plan (the "2023 Plan"), and the Company adopted the 2023 Plan. The 2023 Plan has a term of 10 years. The number of shares of the Company's common stock authorized for issuance under the 2023 Plan was initially 34,976,000 shares, which number shall automatically increase on January 1 of each fiscal year (for a period of ten years after adoption of the 2023 Plan) during the term of the 2023 Plan, commencing on January 1, 2024, by the lesser of (a) 4% of the total shares of the Company's common stock outstanding on December 31st of the prior year, and (b) a lesser number of the Company's common stock as determined by the Company's Board of Directors. As of December 31, 2023, the Company had 34,726,000 authorized but unissued shares reserved for issuance under the 2023 Plan. On January 1, 2024, the Company did not add any shares to the 2023 Plan.

CV SCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The stock options are exercisable at no less than the fair market value of the underlying shares on the date of grant, and restricted stock and restricted stock units are issued at a value not less than the fair market value of the common stock on the date of the grant. Generally, stock options awarded are vested in equal increments ranging from two to four years on the annual anniversary date on which such equity grants were awarded. The stock options generally have a maximum term of 10 years.

The Company recognized stock-based compensation expense of \$0.2 million and \$1.0 million for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023, total unrecognized compensation cost related to non-vested stock-based compensation arrangements was \$0.2 million, which is expected to be recognized over a weighted-average period of 2.1 years.

The following summarizes activity related to the Company's stock options (in thousands, except per share data):

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (in years)	Aggregate Intrinsic Value
Outstanding - December 31, 2022	19,831	\$ 0.46	3.5	\$ —
Granted	7,950	0.04	—	—
Exercised	—	—	—	—
Forfeited	(3,346)	0.46	—	—
Outstanding - December 31, 2023	<u>24,435</u>	0.32	4.4	6
Exercisable - December 31, 2023	<u>18,125</u>	0.42	2.7	3
Vested or expected to vest - December 31, 2023	<u>24,435</u>	\$ 0.32	4.4	\$ 6

The Company has established performance milestones in connection with the drug development efforts for its lead drug candidate CVSI-007. The above table includes 4,250,000 vested performance-based options as of December 31, 2023, which were issued to Michael Mona Jr. ("Mona Jr.") outside of the 2013 Plan. As of December 31, 2023, there were 6,750,000 remaining unvested stock options granted to Mona Jr. outside of the 2013 Plan which are not included in the table above. These stock options vest upon the completion of future performance conditions, including those related to the Settlement Agreement with Mona Jr. (refer to Note 12). As of December 31, 2023, Mona Jr. has a total of 18,050,000 outstanding stock options with a weighted average exercise price of \$0.40.

There were no stock option exercises during the year ended December 31, 2023 and 2022.

The following table presents the weighted average grant date fair value of stock options granted and the weighted-average assumptions used to estimate the fair value on the date of grant using the Black-Scholes valuation model:

	For the years ended December 31,	
	2023	2022
Volatility	132.1 %	123.5 %
Risk-Free Interest Rate	3.9 %	3.6 %
Expected Term (in years)	5.75	5.52
Dividend Rate	0.0 %	0.0 %
Fair Value Per Share on Grant Date	\$ 0.04	\$ 0.03

The risk-free interest rates are based on the implied yield available on U.S. Treasury constant maturities with remaining terms equivalent to the respective expected terms of the options. Expected volatility is based on the historical volatility of the Company's common stock. The Company estimates the expected term for stock options awarded to employees, non-employees, officers and directors using the simplified method in accordance with ASC Topic 718, *Stock Compensation*, because the Company does not have sufficient relevant historical information to develop reasonable expectations about future exercise patterns. In the future, as the Company gains historical data for the actual term over which stock options are held, the expected term may change, which could substantially change the grant-date fair value of future stock option awards, and, consequently, compensation of future grants.

CV SCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12.NET INCOME (LOSS) PER SHARE

Net income (loss) per common share is computed using the two-class method, which is required due to the participating nature of the Preferred Stock (as defined and discussed in Note 9). Except with respect to voting and conversion rights, the rights of the holders of the Company's common stock and the Preferred Stock are identical. Each class of shares has the same rights to dividends. All shares of the Company's issued Preferred Stock were converted into shares of Company common stock in April 2022. Although the Preferred Stock are participating securities, such securities do not participate in net losses, and therefore, do not impact the Company's net income (loss) per share calculation for the year ended December 31, 2022.

The Company computes basic net income (loss) per share using the weighted-average number of common shares outstanding during the year. Diluted net income (loss) per share is calculated by dividing net income (loss) attributable to common stockholders by the weighted-average number of common shares plus potential common shares. The Company's stock options, including those with performance conditions, are included in the calculation of diluted net income (loss) per share using the treasury stock method when their effect is dilutive. Potential common shares are excluded from the calculation of diluted net income (loss) per share when their effect is anti-dilutive.

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	For the years ended December 31,	
	2023	2022
Numerator:		
Net income (loss) attributable to common stockholders	\$ 3,102	\$ (9,134)
Denominator for basic and diluted net income (loss) per share:		
Weighted average common shares outstanding for basic	153,954	138,034
Dilutive potential common stock outstanding:		
Stock options	1	—
Weighted average common shares outstanding for diluted	153,955	138,034
Basic net income (loss) per share attributable to common stockholders	\$ 0.02	\$ (0.07)
Diluted net income (loss) per share attributable to common stockholders	\$ 0.02	\$ (0.07)

The following common stock equivalents were not included in the calculation of net income (loss) per diluted share because their effect were anti-dilutive (in thousands):

	For the years ended December 31,	
	2023	2022
Stock options	20,185	15,581
Performance stock options	11,000	11,000
Warrants	10,750	10,750
Total	41,935	37,331

13.RELATED PARTIES

During the year ended December 31, 2019, the Company's former President and Chief Executive Officer, Michael Mona Jr. ("Mona Jr."), and the Company entered into a Settlement Agreement (the "Settlement Agreement"), pursuant to which the Company agreed that Mona Jr.'s resignation from the Company on January 22, 2019 was for Good Reason (as defined in Mona Jr.'s Employment Agreement) and agreed to extend the deadline for Mona Jr.'s exercise of his stock options for a period of five years. As of December 31, 2023, Mona Jr. had 11,300,000 fully vested outstanding stock options with a weighted average exercise price of \$0.42 per share. In exchange, Mona Jr. agreed that notwithstanding the terms of his Employment Agreement providing for acceleration of vesting of all stock options and RSU's upon a Good Reason resignation, certain of his unvested stock options would not immediately vest, but rather continue to vest if, and only if, certain Company milestones are achieved related to the Company's drug development efforts. These stock options were issued in July 2016 (6,000,000 options) and March 2017 (5,000,000 options) and 6,750,000 of these stock options have not vested as of December 31, 2023. The Company and Mona Jr. also agreed to mutually release all claims arising out of and related to Mona Jr.'s resignation and separation from the Company. As a result of the Settlement Agreement, the Company recorded stock-based compensation expense related

CV SCIENCES, INC.
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to the accelerated vesting of the RSU's of \$5.1 million and the modification of certain stock options of \$2.7 million during the year ended December 31, 2019.

As part of the Settlement Agreement, 2,950,000 vested RSU's were issued to Mona Jr. The vesting of the RSU's and payment of shares is treated as taxable compensation to Mona Jr. and thus subject to income tax withholdings. No amounts were withheld (either in cash or the equivalent of shares of common stock from the vesting of the RSU's) or included in the original Company's payroll tax filing. The compensation was subject to Federal and State income tax withholding and Federal Insurance Contributions Act ("FICA") taxes withholding estimated to be \$6.4 million for the employee portions. The employer portion of the FICA taxes was \$0.2 million and was recorded as a component of selling, general and administrative expenses in the statement of operations for the year ended December 31, 2019. During the year ended December 31, 2020, the Company reported the taxable compensation associated with the RSU release to the taxing authorities and included the amount in Mona Jr.'s W-2 for 2019. In addition, the Company paid the employer and employee portion of the FICA taxes of \$0.2 million, respectively. Although the primary tax liability is the responsibility of the employee, the Company is secondarily liable and thus has continued to reflect this liability on its balance sheet through December 31, 2022 in an amount of \$6.7 million, which was recorded as a component of accrued expenses. The Company initially recorded an offsetting receivable of \$6.2 million during the second quarter of 2019 for the total estimated Federal and State income taxes which should have been withheld in addition to the employee portion of the FICA payroll taxes as the primary liability is ultimately the responsibility of the employee. The receivable was recorded as a component of prepaid expenses and other on the balance sheet. The deadline to file and pay personal income taxes for 2019 was on October 15, 2020. To date, notwithstanding repeated requests from the Company, Mona Jr. has not provided to the Company the appropriate documentation substantiating that he properly filed and paid his taxes for 2019, and Mona Jr. has recently confirmed that he has not paid his personal income tax for 2019. As a result, the Company derecognized its previously recorded receivable of \$6.2 million during the fourth quarter of 2020. The associated liability would have been relieved once the tax amount was paid by Mona Jr. and the Company had received the required taxing authority documentation from Mona Jr. If the tax amount was not paid by Mona Jr., the Company could have been liable for such withholding tax due.

On April 15, 2023, the Company believes that the statute of limitations for federal payroll tax withholding expired. In addition, the statute of limitation for the state tax withholding expired during the three months ended March 31, 2023. As a result of the expiration of the relevant statutes of limitations, neither the IRS nor the State of California have the rights to assess and collect the \$6.2 million of income taxes from the Company and the Company has made a change in accounting estimate and no longer expects to incur a loss with respect to this matter. As a result, the Company derecognized the contingent liability of \$6.2 million during the year ended December 31, 2023. The remaining accrued amount of \$0.5 million that the Company may still be liable for relates to employer and employee Medicare portion of FICA taxes for which the related statute of limitations has not yet expired.

14.COMMITMENTS AND CONTINGENCIES

On March 17, 2015, Michael Ruth filed a shareholder derivative suit in Nevada District Court alleging breach of fiduciary duty and gross mismanagement (the "Ruth Complaint"). The claims were premised on the same events that were the subject of a purported class action filed in the Southern District of New York on April 23, 2014 (the "Sallustro Case"). On July 2, 2019, the court in the Sallustro Case entered a final order dismissing the complaint with prejudice. The Company did not make any settlement payment, and at no time was there a finding of wrongdoing by the Company or any of its directors. Regarding the Ruth Complaint, the parties previously agreed to stay the action pending the conclusion of discovery in the Sallustro Case. Once the Sallustro Case was dismissed, the stay was lifted. Plaintiff's counsel later informed the Court that Mr. Ruth sold his shares of CVSI stock and thus he no longer had standing to pursue this claim. However, the Court allowed plaintiff's counsel to substitute CVSI shareholder Otilda Lamont as the named plaintiff. On September 20, 2019, defendants filed a motion to dismiss the Ruth Complaint and the court issued a ruling denying the motion to dismiss on November 24, 2020. A Third Amended Complaint was filed on December 11, 2020 substituting Otilda Lamont as plaintiff. The Company filed an answer to the Ruth complaint on January 11, 2021. The parties agreed to a settlement in principle in January 2022 whereby the Company agreed to make certain corporate governance reforms in exchange for dismissal of the lawsuit. Plaintiff filed a motion for preliminary approval of proposed settlement on June 1, 2022. The court granted preliminary approval of the proposed settlement on February 7, 2023. A hearing seeking final approval of the proposed settlement was held on May 15, 2023, and the court indicated it would likely approve the proposed settlement and reschedule the hearing with regard to plaintiff's motion for attorney's fees. On June 23, 2023, the Company received notice of a court order dated May

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23, 2023 without any hearing, granting plaintiff's motion for attorney's fees and expenses of approximately \$250,000, which the Company accrued as of December 31, 2023. On July 19, 2023, the Company requested to vacate the court order from May 23, 2023 and set a hearing date. If the court grants final approval, the Company will have 60 days to implement the corporate governance reforms.

On December 3, 2019, Michéne Colette and Leticia Shaw filed a putative class action complaint in the Central District of California, alleging the labeling on the Company's products violated the Food, Drug, and Cosmetic Act of 1938 (the "Colette Complaint"). On February 6, 2020, the Company filed a motion to dismiss the Colette Complaint. Instead of opposing the Company's motion, plaintiffs elected to file an amended complaint on February 25, 2020. On March 10, 2020, the Company filed a motion to dismiss the amended complaint. The court issued a ruling on May 22, 2020 that stayed this proceeding in its entirety and dismissed part of the amended complaint. The court's order stated that the portion of the proceeding that is stayed will remain stayed until the U.S. Food and Drug Administration (the "FDA") completes its rulemaking regarding the marketing, including labelling, of CBD ingestible products. However, on January 26, 2023, the FDA announced that it does not intend to pursue rulemaking allowing the use of cannabidiol products in dietary supplements or conventional foods. As a result, on February 13, 2023, Plaintiffs filed a status report with the court asking to have the stay lifted. The Company filed a written opposition. The court has taken no action since Plaintiffs filed that status report, and the case remains stayed pursuant to the court's original order.

On November 5, 2021, Mona Jr. filed a complaint against the Company in Nevada state court seeking to recover federal and state taxes from the Company associated with the RSU release in 2019 - refer also to Note 13. Related Parties, for further information. On December 22, 2021, the Company filed a motion to dismiss the complaint. On September 12, 2022, the court denied the motion to dismiss the case. On November 3, 2022, the court ordered the case into arbitration. On December 6, 2022, Mona Jr. filed a demand for arbitration against the Company and its officers with the American Arbitration Association (the "AAA"). On January 31, 2023, the Company and management filed a case in the San Diego Superior Court for declaratory relief, seeking to enjoin the arbitration on the grounds that Mona Jr. is barred from proceeding with the arbitration under the doctrines of res judicata and judicial estoppel based on the position that Mona Jr. took against the Company in a prior arbitration. On February 2, 2023, the AAA stayed the arbitration for 60 days. On February 14, 2023, the Company filed a motion for preliminary injunction to enjoin Mona Jr. from proceeding with the arbitration. The preliminary injunction motion was scheduled for hearing on October 20, 2023. On March 20, 2023, the Company sought a temporary restraining order to enjoin Mona Jr. from proceeding with the arbitration, which the court denied. After the denial of the temporary restraining order, the Company withdrew its motion for preliminary injunction. On April 5, 2023, the AAA informed the parties that the stay issued on February 2, 2023 had been lifted. On April 28, 2023, the AAA appointed an arbitrator for the matter. On June 6, 2023, the Company's officers filed a motion to dismiss the claims in the arbitration against them, arguing that they are not party to an agreement with Mona Jr. to arbitrate. On July 6, 2023, the Arbitrator issued an order scheduling the hearing on the merits for April 8 through April 12, 2024. On September 12, 2023, the Arbitrator granted in part and denied in part the motion to dismiss the Company's officers, requiring the case to proceed to a hearing on the merits. Management intends to vigorously defend the allegations.

In the normal course of business, the Company is a party to a variety of agreements pursuant to which they may be obligated to indemnify the other party. It is not possible to predict the maximum potential amount of future payments under these types of agreements due to the conditional nature of our obligations, and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under these types of agreements have not had a material effect on our business, results of operations or financial condition.

15. LEASES

In April 2022, the Company entered into a new lease agreement for its main office facility. The lease is for the Company's operations, warehouse, sales, marketing and back office functions. The facility is approximately 6,000 square feet and located in San Diego, California. The lease term is three years with a total lease obligation of approximately \$0.4 million. The lease does not include an option to renew. The operating lease is included in "Right of use assets" on the Company's December 31, 2023 and 2022 Consolidated Balance Sheets, and represents the Company's right to use the underlying asset for the lease term. The Company's obligation to make lease payments is included in "Operating lease liability - current" and "Operating lease liability" on the Company's December 31, 2023 and 2022 Consolidated Balance Sheets. Based on the present value of the lease payments for the remaining lease term, the Company recognized an operating lease asset of \$0.3 million and lease liabilities for operating leases of \$0.4

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million, respectively, on May 1, 2022. As of December 31, 2023, the Company had an operating lease obligation and operating lease asset of \$0.2 million related to the new facility. Operating lease expense is recognized on a straight-line basis over the lease term. The Company recognized total lease costs of \$0.1 million for each of the years ended December 31, 2023 and 2022. Total lease costs was mostly comprised of operating lease costs. Short-term lease costs related to short-term operating leases and variable lease costs were immaterial.

Because the rate implicit in the lease is not readily determinable, the Company uses the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. The Company has certain contracts for real estate which may contain lease and nonlease components which it has elected to treat as a single lease component. Information related to the Company's operating lease assets and related lease liabilities were as follows:

	December 31, 2023
Remaining lease term (in years)	1.42
Discount rate	7.0 %

Maturities of lease liabilities as of December 31, 2023 were as follows (in thousands):

Year ending December 31,		
2024	\$	139
2025		59
Total		198
Less: imputed interest		10
Total lease liabilities	\$	188
Operating lease liability - current	\$	130
Operating lease liability - net of current portion		58
Total operating lease liability	\$	188

16. INCOME TAXES

For the years ended December 31, 2023 and 2022, pretax income (loss) was attributable to the following jurisdictions (in thousands):

	For the years ended December 31,	
	2023	2022
Domestic operations	\$ 3,114	\$ (8,261)
Foreign operations	(18)	—
Total	\$ 3,096	\$ (8,261)

CV SCIENCES, INC.
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The income tax benefit for the years ended December 31, 2023 and 2022 was comprised of the following (in thousands):

	For the years ended December 31,	
	2023	2022
Current:		
Federal	\$ —	\$ —
State	8	4
Foreign	—	—
Total current tax expense	8	4
Deferred:		
Federal	(11)	(51)
State	—	—
Foreign	(3)	—
Total deferred tax benefit	(14)	(51)
Income tax benefit	\$ (6)	\$ (47)

A reconciliation of the expected income tax benefit at the federal statutory rate of 21% for the years ended December 31, 2023 and 2022, and the income tax benefit reported in the financial statements is as follows:

	For the years ended December 31,			
	2023		2022	
	Amount (in thousands)	% of pretax income (loss)	Amount (in thousands)	% of pretax income (loss)
Income tax expense (benefit) at federal statutory rate	\$ 651	21.0 %	\$ (1,735)	21.0 %
State taxes, net of federal effect	182	5.9	(456)	5.5
Other permanent differences	33	1.1	21	(0.3)
Stock-based compensation	420	13.5	1,795	(21.7)
NOL adjustments and other true-ups	(640)	(20.6)	722	(8.7)
R&D tax credits	—	—	(1)	—
Other	8	0.2	14	(0.2)
Decrease in valuation allowance	(660)	(21.3)	(407)	4.9
Income tax benefit	\$ (6)	(0.2)%	\$ (47)	0.5 %

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The following table summarizes the significant components of the Company's deferred tax assets and liabilities as of December 31, 2023 and 2022 (in thousands):

	December 31,	
	2023	2022
Deferred tax assets:		
Net operating loss carryforwards	\$ 10,804	\$ 9,280
Business credit carryforwards	939	948
Intangible assets	413	527
Stock-based compensation	4,075	4,416
Change to inventory	52	87
Operating lease liabilities	51	81
Accruals and reserves	565	2,351
Other	247	222
	17,146	17,912
Deferred tax liabilities:		
Operating lease assets	(45)	(73)
Property and equipment	(97)	(100)
CanX intangible assets	—	(67)
	(142)	(240)
Valuation allowance	(17,023)	(17,683)
Net deferred tax liabilities	\$ (19)	\$ (11)

The valuation allowance decreased by \$0.7 million for the year ended December 31, 2023 and increased by \$0.4 million for the year ended December 31, 2022.

Deferred tax assets and liabilities are provided for significant revenue and expense items recognized in different years for tax and financial reporting purposes. The Company periodically assesses the likelihood that it will be able to recover its deferred tax assets. The Company considers all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income, and ongoing prudent and feasible profits. As of December 31, 2023 and 2022, the Company established valuation allowances equal to the full amount of its deferred tax assets, net of certain tax liabilities, due to the uncertainties regarding the realization of the deferred tax assets in future years.

As of December 31, 2023, the Company had federal, California, and other state net operating loss (“NOL”) carryforwards of \$40.2 million, \$27.5 million, and \$8.0 million, respectively, which are available to offset future taxable income. Federal NOL carryforwards arising after 2017 of \$33.0 million do not expire. Federal NOL carryforwards arising before 2018 of \$7.2 million expire from 2036 to 2037. California NOL carryforwards of \$27.5 million expire from 2036 to 2043. Other state NOL carryforwards of \$8.0 million have various expirations from 2036 to 2043.

As of December 31, 2023, the Company had federal and California R&D credit carryforwards of approximately \$0.7 million and \$0.4 million, respectively, which are available to offset future taxable income. Federal R&D credit carryforwards expire from 2036 to 2041. California R&D credit carryforwards do not expire.

The NOL carryforward may be subject to an annual limitation under Sections 382 and 383 of the Internal Revenue Code of 1986 (the “Code”), and similar state provisions if the Company experienced one or more ownership changes, which would limit the amount of NOL and tax credit carryforwards that can be utilized to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382 and 383, results from the transactions increasing ownership of certain stockholders or public groups in the stock of the corporation of more than 50% over a three-year period. The Company completed a Section 382 and 383 analysis regarding the limitation of NOL and credit carryforwards from inception in December 2010 through November 4, 2019. The Company experienced multiple ownership changes for the purposes of Section 382 and 383 of the Code with the latest change in April 2017. The ownership changes did not result in the forfeiture of any NOLs or credits generated prior to this date. If a change in ownership occurs in the future, the NOL and tax credits carryforwards could be eliminated or restricted.

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The Company recognizes a tax benefit from an uncertain tax position when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits, and uncertain income tax positions must meet a more likely than not recognition threshold to be recognized. The Company recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the statements of operations.

The Company does not anticipate a significant change in its uncertain tax benefits over the next 12 months. The Company is subject to taxation in the U.S. and California state jurisdictions. Due to net operating losses all tax years since inception remain open to examination.

A reconciliation of the Company's unrecognized tax benefits for the years ended December 31, 2023 and 2022 is provided in the following table (in thousands):

	2023		2022
Balance as of January 1:	\$	172	\$ 172
Increase in current year positions		—	—
Increase in prior year positions		—	—
Decrease in prior year positions		(2)	—
Balance as of December 31:	\$	<u>170</u>	\$ <u>172</u>

MEMBERSHIP INTEREST PURCHASE AGREEMENT

by and among

CV SCIENCES, INC.

CULTURED FOODS,

BARBARA McWHORTER,

AND

BRIAN CARL McWHORTER

DECEMBER 7, 2023

MEMBERSHIP INTEREST PURCHASE AGREEMENT

THIS MEMBERSHIP PURCHASE AGREEMENT (this “Agreement”), dated as of December 7, 2023, is made and entered into by and among CV SCIENCES, INC., a Delaware corporation filed with the Secretary of State of Delaware, Identification Number 5374144, with its registered office in the State of California, physical address of 9530 Padgett Street, Suite 107, San Diego, CA 92126, and represented by Procopio Cory Hargreaves & Savitch LLP (the “Purchaser”), CULTURED FOODS Sp. z o.o., a limited liability company duly incorporated and existing under the laws of Poland with its registered office in Puławy, address: ul. Ignacego Mościckiego 1, 24-110 Puławy, Poland, entered into the register of entrepreneurs of the National Court Register (rejestr przedsiębiorców Krajowego Rejestru Sądowego) under KRS number 0000999723; REGON: 523562842, NIP: 7162837938 (the “Company”), represented by President of the Management Board – Barbara McWhorter and to the extent that this Agreement may be considered as an agreement between the Company and it’s member of the Management Board, the Company is represented by Joerg Grasser – a proxy appointed by the Company’s shareholders meeting resolution pursuant to Article 210 § 1 CCC, BARBARA McWHORTER PESEL, no: 78091805749, domiciled in Poland, Lesznowola, an individual (a “Barbara McWhorter”), and BRIAN CARL McWHORTER PESEL no: 78012820130, domiciled in Jupiter, Florida, United States of America, an individual (the “Member”). The Purchaser, the Company, and the Member are sometimes individually referred to herein as a “Party” and, collectively, as the “Parties.” This Agreement is made with reference to the following facts:

WITNESSETH:

WHEREAS, the Member owns all of the issued and outstanding equity interests of the Company i.e. 100% of shares in the share capital of a Company (BRIAN CARL McWORTHER holds 1,000 shares in the share capital of the Company, his shares constitute in total 100% of the shares in the Company) (the “Membership Interests”);

WHEREAS, the Company is in the business of developing, manufacturing and selling plant-based food products (the “Business”);

WHEREAS, the Parties desire to enter into this Agreement pursuant to which the Member proposes to sell to the Purchaser, and the Purchaser proposes to purchase from the Member, all of the Membership Interests on the terms and subject to the conditions set forth herein (the “Acquisition”);

WHEREAS, concurrently with the consummation of the transactions contemplated hereby, Barbara McWhorter has entered into a Service Contract (the “Post-Closing Service Contract”) with the Company; and

WHEREAS, the Parties desire to make certain representations, warranties, indemnities and additional covenants in connection with the Acquisition, as set forth below.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants, agreements and conditions hereinafter set forth, and intending to be legally bound hereby, each Party hereby agrees:

ARTICLE 1
CONSTRUCTION; DEFINITIONS

Section 1.1 Definitions. The following terms, as used herein, have the following meanings:

“Accounting Firm” has the meaning set forth in Section 3.5(e).

“Affiliate(s)” of any specified Person means any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control with such specified Person.

“Balance Sheet” means the unaudited balance sheet of the Company as of October 31, 2023 included in the Financial Statements.

“Business Day” means any day except Saturday, Sunday or any day on which banks are generally not open for business in the County of San Diego, California.

“Calculation Period” means calendar year 2024.

“CCC” or “Commercial Companies Code” means the Polish Act of 15 September 2020 - Commercial Companies Code (Journal of Laws of 2020 item 1526 as amended);

“Change of Control” shall mean (A) the sale, transfer or assignment, in one transaction or a series of related transactions, of all or substantially all of the assets of the Purchaser; (B) the sale, transfer or assignment, in one transaction or a series of related transactions, of greater than fifty percent (50%) of the voting equity interests of the Purchaser; or (C) a merger or consolidation of the Purchaser with or into any other entity of the Purchaser is not the surviving company.

“Closing” means the consummation of the transactions contemplated by this Agreement as set forth in Section 8.1 of this Agreement.

“Closing Date” means the date hereof.

“Company Benefit Plan” means each Employee Benefit Plan currently sponsored or maintained or required to be sponsored or maintained by the Company or to which the Company makes, or has any obligation to make, directly or indirectly, any contributions or with respect to which the Company has, or might have, any other liabilities.

“Company Intellectual Property” means any Intellectual Property that is owned by or licensed to the Company, including the Company Registered Intellectual Property.

“Company Registered Intellectual Property” means all of the Registered Intellectual Property owned by, or filed in the name of, the Company.

“Confidential Information” means any data or information of the Company (including trade secrets) that is valuable to the operation of the Business and not generally known to the public or competitors.

“Control” means, when used with respect to any specified Person, the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“Earn-Out Payment” means, with respect the Calculation Period, (a) \$0, if the Company’s Net Revenue is less than \$300,000, (b) \$20,000, if the Company’s Net Revenue is at least \$300,000 but is less than \$400,000, (c) \$50,000, if the Company’s Net Revenue is at least \$400,000 but is less than \$450,000, (d) \$75,000, if the Company’s Net Revenue is at least \$450,000 but is less than \$500,000, and (e) \$110,000, if the Company’s Net Revenue is at least \$500,000.

“Employee Benefit Plan” means, with respect to any Person, (a) each plan, fund, program, agreement, arrangement or scheme, including each plan, fund, program, agreement, arrangement or scheme maintained or required to be maintained under applicable Law that is at any time sponsored or maintained or required to be sponsored or maintained by such Person or to which such Person makes or has made, or has or has had an obligation to make, contributions providing for employee benefits or for the remuneration, direct or indirect, of the employees, former employees, directors, managers, officers, consultants, independent contractors, contingent workers or leased employees of such Person or the dependents of any of them (whether written or oral), including each deferred compensation, bonus, incentive compensation, pension, retirement, membership interest purchase and other equity compensation plan, (b) each severance, retention or change in control plan or agreement, each plan or agreement providing health, vacation, summer hours, supplemental unemployment benefit, hospitalization insurance, medical, dental or legal benefit and (c) each other employee benefit plan, fund, program, agreement, arrangement or scheme.

“Employment Agreement” means any employment contract, consulting agreement, termination or severance agreement, salary continuation agreement, change of control agreement, non-compete agreement or any other agreement respecting the terms and conditions of employment or payment of compensation, or of a consulting or independent contractor relationship in respect to any current or former officer, employee, consultant or independent contractor.

“Environment” means any surface or ground water, drinking water supply, soil, surface or subsurface strata or medium, or the ambient air.

“Environmental Laws” means all federal, state, or local or foreign Laws relating to protection of the Environment, health and safety, including pollution control, product registration and Hazardous Materials.

“Estimated Working Capital Deficit” means the amount, if any, by which the Target Working Capital is greater than the Estimated Working Capital as set forth on the Closing Date Financial Statement.

“Estimated Working Capital Surplus” means the amount, if any, by which the Target Working Capital is less than the Estimated Working Capital as set forth on the Closing Date Financial Statement.

“Final Working Capital Statement” means the “Final Working Capital Statement” as finally determined pursuant to Section 3.5 hereof.

“Financial Statements” means (a) the balance sheet, profit and loss account and other elements required under the Accounting Act of the Company as of the end of the fiscal year of the Company (if they have been prepared by the Company since its transformation into limited liability company) and balance sheet, profit and loss account and other elements required under the Accounting Act of the Company as of the end of the at the end of the Company's activity as a sole proprietorship, as of the end of 2021 and as of the end of 2020 (if Company was obliged to prepare them under the Accounting Act) and (b) the balance sheet of the Company and the profit and loss account the “Latest Balance Sheet”) as of October 31, 2023, for the six-month period then ended.

“GAAP” means generally accepted accounting principles in the United States of America.

“Governmental Entity” means any federal, state, local or foreign government, any political subdivision thereof, or any court, administrative or regulatory agency, department, instrumentality, body or commission or other governmental authority or agency.

“Hazardous Materials” means any waste, pollutant, contaminant, hazardous substance, toxic, ignitable, reactive or corrosive substance, hazardous waste, special waste, industrial substance, by-product, process-intermediate product or waste, asbestos or asbestos-containing materials, lead-based paint, petroleum or petroleum-derived substance or waste, chemical liquids or solids, liquid or gaseous products, or any constituent of any such substance or waste, the management, use, handling or disposal of which is in any way governed by or subject to any applicable Law.

“Indebtedness” means the aggregate of all indebtedness of the Company with respect to borrowed money, including any loans made by the Member to the Company and other loans (in either case including interest accrued thereon), deferred consideration, debts, any liabilities under acceptances, credit cards, monies due under capitalized leases or financial leases (but excluding operating leases), or for the deferred purchase price of property or services for which the Company is liable, contingently or otherwise as obligor, guarantor, or otherwise, or in respect of which the Company otherwise assures against loss, including bank debt, bank fees, shareholder debt and vendor debt, including, in each case above, any interest accrued thereon and prepayment or similar penalties and expenses which would be payable if such liability were paid in full as of the Closing Date. “Indebtedness” excludes, however, any and all amounts already included under Net Working Capital (including for purposes of determining the Estimated Working Capital Deficit/Surplus or Working Capital Deficit/Surplus), and Transaction Expenses.

“Indemnified Party” means a Purchaser Indemnified Party or a Member Indemnified Party, as applicable.

“Intellectual Property” means any or all of the following and all rights arising out of or associated therewith: (a) all patents and applications therefor and all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof; (b) all inventions (whether patentable or not), invention disclosures, improvements, mask works, trade secrets, proprietary information, know-how, technology, technical data and customer lists, and all documentation relating to any of the foregoing throughout the world; (c) all works of authorship (whether copyrightable or not), all copyrights, copyright registrations and applications therefor, and all other rights corresponding thereto throughout the world; (d) all industrial designs and any

registrations and applications therefor throughout the world; (e) all internet uniform resource locators, domain names, trade names, logos, slogans, designs, trade dress, common law trademarks and service marks, trademark and service mark and trade dress registrations and applications therefor throughout the world; (f) all databases and data collections and all rights therein throughout the world; (g) all moral and economic rights of authors and inventors, however denominated, throughout the world; and (h) any similar or equivalent rights to any of the foregoing anywhere in the world.

“Knowledge” with respect to the Member means (a) all facts known by Barbara McWhorter and/or Brian Carl McWhorter on the date hereof after due inquiry and diligence with respect to the matters at hand, and (b) all facts that any of the foregoing Persons should have known on the date hereof with respect to the matters at hand if such Person had made due inquiry and exercised reasonable diligence.

“Laws” means all statutes, rules, codes, regulations, restrictions, ordinances, orders, decrees, approvals, directives, judgments, injunctions, writs, awards, standards, guidelines, guidance documents, policies and decrees of, or issued by, any Governmental Entity.

“Leased Real Property” means the parcels of real property of which the Company is the lessee (together with all fixtures and improvements thereon).

“Legal Dispute” means any action, suit, arbitration or proceeding between or among the Parties and their respective Affiliates arising in connection with any disagreement, dispute, controversy or claim arising out of or relating to this Agreement or any related document.

“Licenses” means all notifications, licenses, permits (including environmental, construction and operation permits), qualifications, franchises, certificates, approvals, exemptions, classifications, registrations and other similar documents and authorizations issued by any Governmental Entity, and applications therefor.

“Liens” means all mortgages, liens, pledges, security interests, charges, claims, restrictions and encumbrances of any nature whatsoever.

“Material Adverse Effect” means any state of facts, change, event, effect or occurrence (when taken together with all other states of fact, changes, events, effects or occurrences) that is or may be reasonably likely to be materially adverse to the financial condition, results of operations, prospects, properties, assets or liabilities (including contingent liabilities) of the Company or the Business.

“McWhorter Loans” means those two certain loans in the principal amount of 100,000 PLN made by Barbara McWhorter and/or the Member, one dated August 23, 2023 and one dated December 1, 2023, respectively, and any and all other indebtedness for borrowed money owed to Barbara McWhorter and/or the Member.

“Member Indemnified Parties” means the Member and his Affiliates, each of their respective officers, directors, managers, employees, agents, and representatives and each of the heirs, executors, successors and assigns of any of the foregoing.

“Net Revenue” means the net amount of revenue attributable to the sale of the Company’s products as recognized by the Purchaser in accordance with GAAP applied in accordance with the Purchaser’s then-existing corporate policies, less product returns, discounts (including but not limited to customer and distributor discounts), and excluding amounts invoiced for any other product, shipping, taxes, duties or similar amounts. For the avoidance of doubt, Net Revenue is recognized for the worldwide sale of the Company’s products to third parties and does not include inter-company sales from the Company to the Purchaser.

“Net Working Capital” means the Company’s current assets minus current liabilities determined in accordance with GAAP.

“Ordinary Course” means the ordinary course of business of the Company consistent with past practice.

“Permitted Liens” means (a) Liens for Taxes not yet due and payable, (b) statutory Liens of landlords, (c) Liens of carriers, warehousemen, mechanics, materialmen and repairmen incurred in the Ordinary Course and not yet delinquent, and (d) in the case of the Leased Real Property, zoning, building, or other restrictions, variances, covenants, rights of way, encumbrances, easements and other minor irregularities in title, none of which, individually or in the aggregate, (i) interfere in any material respect with the present use of or occupancy of the affected parcel by the Company, (ii) have more than an immaterial effect on the value thereof or its use or (iii) would impair the ability of such parcel to be sold, leased or subleased for its present use.

“Person” means any individual, corporation, partnership, joint venture, limited liability company, trust, unincorporated organization or Governmental Entity.

“Purchase Price” means the amount equal to the Closing Cash and the Stock Consideration, as adjusted pursuant to this Agreement, plus the Earn-Out Payment, if any, up to the aggregate amount of \$535,000.

“Purchaser Indemnified Parties” means the Purchaser and its Affiliates, each of their respective officers, directors, employees, agents and representatives and each of the heirs, executors, successors and assigns of any of the foregoing.

“Receivables” means the Company’s accounts receivable as of the date of the Closing Date Financial Statement.

“Registered Intellectual Property” means all: (a) patents and patent applications (including provisional applications); (b) registered trademarks and service marks, applications to register trademarks and service marks, and trade dress, intent-to-use applications, or other registrations or applications related to trademarks and service marks and trade dress; (c) registered copyrights and applications for copyright registration; (d) domain name registrations; (e) registered mask works and applications for mask work registration; and (f) any other Intellectual Property that is the subject of an application, certificate, filing, registration or other document issued, filed with, or recorded with any federal, state, local or foreign Governmental Entity or other public body.

“Release” means, with respect to any Hazardous Material, any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the Environment.

“Restriction Period” has the meaning set forth in Section 7.3(a).

“Schedule” means any schedule attached to this Agreement.

“Suppliers” means all of the Company’s suppliers and vendors during the 12-month period ended on September 30, 2023.

“Target Working Capital” means an amount equal to \$50,000.00.

“Tax Return” means any report, return, declaration or other information required to be supplied to a Governmental Entity in connection with Taxes, including estimated returns, amended returns, information statements and reports of every kind with respect to Taxes.

“Taxes” or “Taxation” means any income tax, value added tax, withholding tax, social security charges, excise tax, stamp duty, tax on civil transactions, property tax, agricultural and forestry tax, customs duties and tariffs, or other like public assessment or charge of any kind whatsoever, together with any interest, penalties, additions to tax and additional amounts imposed with respect thereto (including with respect to any failure to file any return or report required for the purposes of any of them), imposed by any Tax Authority including without limitation: taxes or other charges on or with respect to income, property, sales or use; taxes or charges in the nature of excises, withholding, stamp, transfer, value added, or gains taxes and customs' duties.

“Tax Authorities” means any tax authorities, customs authorities, social security authorities and any other governmental or local or other authority whatsoever competent to impose any Taxation whether in Poland or elsewhere.

“Transaction Expenses” means the aggregate amount of all legal, accounting, financial advisory and other third party advisory or consulting fees and expenses incurred by the Company and/or the Member in connection with the transactions contemplated by this Agreement and not paid prior to the Closing Date. As a matter of clarity, Transaction Expenses shall not include (a) any of the expenses described above incurred by the Company subsequent to the Closing, and (b) any such expenses incurred by the Purchaser.

“Working Capital Deficit” means the amount, if any, by which the Estimated Working Capital is greater than the Net Working Capital, as reflected on the Closing Date Financial Statement.

“Working Capital Surplus” means the amount, if any, by which the Estimated Working Capital is less than the Net Working Capital, as reflected on the Closing Date Financial Statement.

Section 1.2[Omitted].

Section 1.3Construction. Unless the context of this Agreement clearly requires otherwise, (a) references to the plural include the singular, and references to the singular include

the plural, (b) references to any gender include the other genders, (c) the words “include,” “includes” and “including” do not limit the preceding terms or words and shall be deemed to be followed by the words “without limitation”, (d) the terms “hereof”, “herein”, “hereunder”, “hereto” and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement, (e) the terms “day” and “days” mean and refer to calendar day(s), (f) the terms “year” and “years” mean and refer to calendar year(s) and (g) all references in this Agreement to “dollars” or “\$” shall mean United States Dollars. Unless otherwise set forth herein, references in this Agreement to (i) any document, instrument or agreement (including this Agreement) (A) includes and incorporates all schedules and other attachments thereto, (B) includes all documents, instruments or agreements issued or executed in replacement thereof and (C) means such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified or supplemented from time to time in accordance with its terms and in effect at any given time, and (ii) a particular Law means such Law as amended, modified, supplemented or succeeded, from time to time and in effect at any given time. All Article, Section and Schedule references herein are to Articles, Sections and Schedules of this Agreement, unless otherwise specified. This Agreement shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if all Parties had prepared it.

Section 1.4 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

ARTICLE 2 PURCHASE AND SALE

Section 2.1 Agreement to Purchase and Sell. Contemporaneously with the execution and delivery of this Agreement, each of the Member hereby sells, transfers and delivers to the Purchaser, and the Purchaser hereby purchases and acquires from the Member, all of the Membership Interests, free and clear of any and all Liens. The Member and the Purchaser shall subsequent to the Closing prepare and register with Polish authorities a summarized version of this Agreement and the transactions contemplated hereby. As a matter of clarity, the ownership of the Membership Interests passes to the Purchaser upon the conclusion of this Agreement notwithstanding the Purchaser's performance of any of the obligations set out in the Agreement.

Section 2.2 Further Assurances. Each Party shall on the Closing Date and from time to time thereafter, at any other Party's reasonable request and without further consideration, execute and deliver to such other Party such instruments of transfer, conveyance, and assignment as shall be reasonably requested to transfer, convey, and assign the Membership Interests to the Purchaser and otherwise to effect the transactions contemplated by this Agreement.

ARTICLE 3 PURCHASE PRICE; ADJUSTMENTS

Section 3.1 Purchase Price. The aggregate consideration to be paid for the Membership Interests by the Purchaser at the Closing shall be an amount equal to \$425,000, consisting of (a) \$175,000, to be paid in cash at the Closing to the Member (the “Closing Cash”), (b) \$250,000 cash value of the Purchaser's common stock (the “Stock Consideration”), plus (c) the Estimated Working Capital Surplus, if any, minus (d) the Estimated Working Capital Deficit, if any, minus

(e) Indebtedness, minus (f) Transaction Expenses, minus (g) 50% of the Polish transfer tax assessed on the fair market value of the Membership Interests. The Member shall be eligible to receive the Earn-Out Payment, as more specifically set forth in Section 3.5.

Section 3.2 Purchase Price Holdback. Contemporaneously with the execution and delivery of this Agreement, the Purchaser shall hold back \$17,500.00 in cash (the "Holdback Amount") to satisfy any obligations of the Member pursuant to this Agreement. The Holdback Amount, less any amounts applied by the Purchaser against amounts owed by the Member pursuant to this Agreement, shall be released and paid to the Member on the date that is twelve (12) months after the date hereof.

Section 3.3 Stock Consideration. The Stock Consideration shall be issued to the Member at the Closing as restricted common stock. The Company's irrevocable instructions to its transfer agent to issue certificates for the Stock Consideration shall be deemed issuance of such Stock Consideration for purposes of this Agreement. The number of shares to constitute the Stock Consideration shall be determined on the three (3) day Volume Weighted Average Price (VWAP) of the Company's common stock. For example, if the 3-day VWAP is \$0.05 per share, then the Stock Consideration shall consist of 5,000,000 shares. The Member acknowledges that, because the Stock Consideration is restricted common stock, it is not eligible for sale until the applicable holding period under Rule 144 of the Securities Act of 1933, as amended, has expired. Currently, the Company's holding period for restricted common stock is six (6) months from the date of issuance, although there can be no assurance that this will represent the length of the holding period under Rule 144 at any time in the future. Further, the Member acknowledges and agrees that the Stock Consideration is subject to the limitations on sale as set forth in Section 7.2 of this Agreement.

Section 3.4 Closing Date Statements. Attached hereto as Schedule 3.4 is a statement (the "Closing Date Financial Statement"), signed by the Manager of the Company (on behalf and in the name of the Company), which sets forth (i) the Company's estimate of the Net Working Capital (the "Estimated Working Capital") at Closing, and (ii) the Estimated Working Capital Surplus, if any, or the Estimated Working Capital Deficit, if any, at Closing.

Section 3.5 Purchase Price Adjustments.

(a) Unless the Purchaser agrees that the Estimated Working Capital Surplus or the Estimated Working Capital Deficit applied at the Closing shall be final, which shall be conveyed in writing to the Member in writing no later than one hundred twenty (120) days following the Closing Date, the Purchaser shall prepare and deliver to the Member a statement (the "Working Capital Statement") setting forth the Purchaser's calculation of (a) the Net Working Capital of the Company at the Closing, and (b) the Working Capital Surplus, if any, or the Working Capital Deficit, if any, with respect to the Company at the Closing.

(b) The Member shall have thirty (30) days following receipt of the Working Capital Statement during which to notify the Purchaser of any dispute of any item contained in the Working Capital Statement, which notice shall set forth in reasonable detail the basis for such dispute.

(c) If the Member does not notify the Purchaser of any such dispute within such thirty (30)-day period, the Working Capital Statement shall be deemed to be the Final Working Capital Statement and the amount of the Working Capital Statement shall be final and binding on the Parties hereto for all purposes hereunder.

(d) If the Member notifies the Purchaser of any such dispute within such thirty (30) day period, the Parties shall cooperate in good faith to resolve any such dispute as promptly as possible, and upon such resolution, the Final Working Capital Statement shall be prepared.

(e) If the Parties are unable to resolve any dispute regarding the Working Capital Statement, and if the Working Capital Statement reflects an adjustment of the Estimated Working Capital Surplus or Estimated Working Capital Deficit in the Closing Date Financial Statement of less than ten percent (10%), then the Working Capital Statement shall be deemed the Final Working Capital Statement. However, if the Parties are unable to resolve any dispute regarding the Working Capital Statement, and if the Working Capital Statement reflects an adjustment of the Estimated Working Capital Surplus or Estimated Working Capital Deficit in the Closing Date Financial Statement of ten percent (10%) or more, then any Working Capital Surplus or Working Capital Deficit in the Working Capital Statement shall be finally determined by submission of such dispute to an independent accounting firm selected by the Purchaser and reasonable acceptable to the Member (the "Accounting Firm").

(f) Within five (5) Business Days following the determination of the Final Working Capital Statement in accordance with this Section 3.5, (a) to the extent there is a Working Capital Deficit the Member shall be obligated to pay the Purchaser in cash an amount equal to the Working Capital Deficit by wire transfer of immediately available funds to an account designated by the Purchaser, or (b) to the extent there is a Working Capital Surplus the Purchaser shall pay to the Member in cash the amount equal to the Working Capital Surplus by wire transfer of immediately available funds to an account(s) designated by the Member. In the event of a Working Capital Deficit, the Purchaser may at its discretion satisfy this obligation by release of such funds from the Holdback Amount.

Section 3.6 Accounts Receivable. Within ninety (90) days following the final determination of the Final Working Capital Statement (the "Receivables Date"), the Purchaser shall be entitled to recover from the Member, or, at the Purchaser's sole and absolute discretion, recover from the Holdback Amount, an amount equal to the unpaid balance, as of the Receivables Date, of all accounts receivable which were included as assets on the Final Working Capital Statement (the "Accounts Receivable") (all such unpaid Accounts Receivable are hereinafter referred to as the "Uncollected Accounts Receivable"). From and after the Closing Date, the Purchaser shall use commercially reasonable efforts to collect the Accounts Receivable; *provided, however*, that the Purchaser shall not be required to engage collection agencies or attorneys or institute legal proceedings against then current customers of the Purchaser or any of its Affiliates to satisfy its obligations under this Section 3.6.

Section 3.7 Earn-Out Payment.

(a) The Earn-Out Payment, if any, shall be remitted to the Member by wire transfer of immediately available funds in accordance with written instructions that the Member have provided to the Purchaser at least three (3) Business Days prior to the date of such payment within ten (10) Business Days after final determination of the Company's Net Revenue with respect to the Calculation Period pursuant to Section 3.7(c).

(b) Within forty-five (45) days after the end of the Calculation Period, the Purchaser shall prepare and deliver to the Member a written statement (the "Purchaser Net Revenue Statement") setting forth in reasonable detail the Purchaser's calculation of the Company's Net Revenue for such Calculation Period, and the Purchaser's calculations of the Earn-Out Payment with respect thereto. During the thirty (30)-day period following the receipt by the Member of the Purchaser Net Revenue Statement, the Member and their representatives shall be permitted to review during normal business hours and make copies reasonably required of (i) the working papers of the Purchaser relating to the preparation of the Purchaser Net Revenue Statement, and (ii) any supporting schedules, supporting analyses and other supporting documentation relating to the preparation of the Purchaser Net Revenue Statement. The Purchaser Net Revenue Statement shall become final and binding upon the parties on the thirtieth (30th) day following delivery thereof, except to the extent that the Member gives written notice of disagreement with the Purchaser Net Revenue Statement (the "Net Revenue Dispute Notice") to the Purchaser prior to such date. Any Net Revenue Dispute Notice shall specify in reasonable detail the nature of any disagreement so asserted (any such disagreement to be limited to whether such calculation of the Net Revenue is mathematically correct and/or has been prepared in accordance with the definition of GAAP). If a Net Revenue Dispute Notice complying with the preceding sentence is received by the Purchaser in a timely manner, then the Purchaser Net Revenue Statement (as revised in accordance with clause (i) or (ii) below) shall become final and binding upon the parties on the earlier of (i) the date the Purchaser and the Member resolve in writing any differences they have with respect to the matters specified in the Net Revenue Dispute Notice, or (ii) the date any disputed matters are finally resolved in writing by the Accounting Firm (as set forth below).

(c) During the thirty (30)-day period following the delivery of a Net Revenue Dispute Notice that complies with Section 3.7(b), the Purchaser and the Member shall seek in good faith to resolve in writing any differences which they may have with respect to the matters specified in the Net Revenue Dispute Notice. During such period, the Purchaser shall be permitted to review and make copies reasonably required of (i) the working papers of the Member relating to the preparation of the Net Revenue Dispute Notice, and (ii) any supporting schedules, supporting analyses and other supporting documentation relating to the preparation of the Net Revenue Notice. If, at the end of such thirty (30)-day period, the differences as specified in the Net Revenue Dispute Notice are not resolved, the Member and the Purchaser shall promptly engage the Accounting Firm and submit to the Accounting Firm for review and resolution any and all matters which remain in dispute and which are properly included in the Net Revenue Dispute Notice. In resolving any disputed item, the Accounting Firm shall: (i) be bound by the provisions of this Section 3.7 and the definition of Net Revenue; (ii) limit its review to matters still in dispute as specifically set forth in the Net Revenue Dispute Notice (and only to the extent such matters are still in dispute following such thirty (30)-day period);

and (iii) further limit its review solely to whether the Purchaser Net Revenue Statement has been prepared in accordance with this Section 3.7. The Purchaser and the Member shall make available to the Accounting Firm all relevant working papers, supporting schedules, supporting analyses, other supporting documentation and other items reasonably requested by the Accounting Firm. The determination of any item that is a component of the Net Revenue and is the subject of a dispute cannot, however, be in excess of, or less than, the greatest or lowest value, respectively, claimed for any particular item in the Purchaser Net Revenue Statement or the Net Revenue Dispute Notice, as applicable. The Member and the Purchaser shall use reasonable best efforts to cause the Accounting Firm to render a decision resolving the matters in dispute within thirty (30) days following the submission of such matters to the Accounting Firm. The fees and expenses of the Accounting Firm in connection with the Accounting Firm's determination of the Net Revenue pursuant to this Section 3.7(c) shall be borne, in its entirety, by the party whose calculation of the Net Revenue as initially submitted to the Accounting Firm is furthest away from the Net Revenue as determined by the Accounting Firm.

(d)The Member acknowledges the absolute right of the Purchaser to operate, manage and invest in the Company in the exercise of its sole and absolute discretion and agrees that the Purchaser shall have no liability or obligation to the Member in connection with the operations and assets of the Company from and after the consummation of the Closing. Without limiting the generality of the foregoing, the Purchaser presently intends to base its decisions regarding operations of the Company, including the pricing of services and the investment and allocation of resources, on the basis of strategic objectives of the Purchaser and its Affiliates.

(e)If a Change of Control of the Purchaser occurs during the Calculation Period, the Purchaser will ensure the transaction is structured in a manner where the acquiring company assumes the obligation of the Purchaser herein related to the Earn-Out Payment and continues to operate the Company's Business substantially as it operated prior to the closing of such transaction. If the acquiring company refuses to assume the obligation of the Purchaser related to the Earn-Out Payment, or if the acquiring company will no longer operate the Company's Business in substantially the same manner as it was operated prior to such transaction, then the Earn-Out Payment shall, at the time of the consummation of the Change of Control transaction, be deemed earned and payable to the Member.

Section 3.8[Intentionally Omitted].

Section 3.9Member Release. In consideration for the agreement and covenants of the Purchaser set forth in this Agreement, the Member and each of his Affiliates (and each of their respective officers, directors, managers, employees, agents, representatives, heirs, executors, successors and assigns) hereby knowingly, voluntarily and unconditionally releases and forever discharges from and for, and covenants not to sue the Purchaser or the Company (or either of them), or their respective predecessors, successors, parents, subsidiaries or other Affiliates, or any of their respective current and former officers, directors, employees, agents, or representatives for or with respect to, any and all claims, causes of action, demands, suits, proceedings, debts, obligations, liabilities, damages, losses, costs, and expenses (including attorneys' fees and costs) of every kind or nature whatsoever, known or unknown, actual or potential, suspected or

unsuspected, fixed or contingent, that the Member has or may have, now or in the future, arising out of, relating to, or resulting from any acts or omissions, errors, negligence, strict liability, breach of contract, tort, violations of Law, matter or cause whatsoever from the beginning of time to the Closing Date (collectively, but excluding the Non-Released Matters (as defined below), the “Released Claims”); provided, however, that such release shall not cover any of the following (collectively, the “Non-Released Matters”): (a) any claims against the Purchaser or any of its Affiliates (other than the Company) unrelated in any way to the Company, or (b) any claims against the Purchaser arising under this Agreement. As of the Closing Date, the Members expressly waives any and all rights and benefits conferred upon it under California law by Section 1542 of the California Civil Code (or similar laws of other jurisdictions) with respect to the Released Claims, which states as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

Section 3.10 Cash Payment Moment. The moment of the payment of the Closing Cash and any other cash due to the Member is the date when the pertinent amount is the date on which the Purchaser’s account is debited and not the date on which the Member’s account is credited.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE MEMBERS

With the assumption that the representations and warranties regarding the Company cover also the period during which the business was operated as a sole proprietorship of Brian McWhother (i.e., before that sole proprietorship was transformed into the Company), the Member hereby represents and warrants, to the Purchaser as follows:

Section 4.1 Organization.

(a)The Company is a limited liability company duly formed and validly existing under the laws of Poland and has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted. The Company was established as a result of transformation from a sole proprietorship of Brian McWhorter properly carried out and registered by all of the required authorities due to Polish law. The Member has heretofore made available to the Purchaser correct and complete copies of the charter documents of the Company as currently in effect and the limited liability company record books with respect to actions taken by its members, managers, and officers, as applicable.

Section 4.2 Authorization.

(a)The Company has the right, power, authority and capacity to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby. The consummation of the transactions contemplated hereby

has been duly authorized by all required limited liability company action on the part of the Company. This Agreement has been duly executed and delivered by the Company and constitutes the valid and binding agreement of the Company, enforceable against it in accordance with its terms.

(b)The Member has the right, power, authority and capacity to execute and deliver this Agreement, to perform its obligations hereunder and thereunder, to consummate the transactions contemplated hereby and thereby, and specifically to bind the Holdback Amount and the Purchase Price (as the case may be) to the forfeiture and offset provisions contained herein.

(c)This Agreement has been duly authorized by the Member, and has been duly executed and delivered by the Member and constitutes the legal, valid and binding obligation of the Member, enforceable against the Member in accordance with its terms.

Section 4.3Membership Interests.

(a)Schedule 4.3(a) accurately and completely sets forth the capital structure of the Company including the number of membership interests, or other equity interests which are authorized and which are issued and outstanding. All of the issued and outstanding membership interests, or other equity interests of the Company (a) are duly authorized, validly issued, fully paid and nonassessable, (b) are, immediately prior to the Closing, held of record by the Persons and in the amounts set forth on Schedule 4.3(a), and (c) were not issued or acquired by the holders thereof in violation of any Law, agreement or the preemptive rights of any Person. Except as set forth on Schedule 4.3(a), no membership interests, or other equity interests of the Company are reserved for issuance or are held in treasury, and (i) there are no outstanding options, warrants, rights, calls, commitments, conversion rights, rights of exchange, subscriptions, claims of any character, agreements, obligations, convertible or exchangeable securities or other plans or commitments, contingent or otherwise, relating to the membership interests of the Company; (ii) there are no outstanding contracts or other agreements of the Company, the Member, or any other Person to purchase, redeem or otherwise acquire any outstanding membership interests or other equity interests of the Company, or securities or obligations of any kind convertible into membership interests or other equity interests of the Company; (iii) there are no dividends which have accrued or been declared but are unpaid on the membership interests or other equity interests of the Company; (iv) there are no outstanding or authorized membership interests appreciation, phantom unit, equity incentive plans or similar rights with respect to the Company; (v) there are no voting agreements or other agreements relating to the management of the Company; and (vi) there are no statutory preemptive rights, and the Company has not granted any preemptive or similar rights, to purchase from the Company any of its membership interests. Except as set forth on Schedule 4.3(a), the Company has never purchased, redeemed or otherwise acquired any membership interests or other equity interests of the Company. Other than the Member, no other Person is the record holder of any membership interests or other equity interests in the Company (other than the Purchaser at Closing). No prior offer, issue, redemption, call, purchase, sale, transfer, negotiation or other transaction of any nature or kind with respect to any membership interests (including options, warrants or debt convertible into membership interests, options or warrants) of the Company or any entity that has been merged into the

Company has given rise to any claim or action by any Person that is enforceable against the Company, the Member, or the Purchaser, and no fact or circumstance exists that could give rise to any such right, claim or action. All redemptions or transfers of membership interests or other equity interests of the Company are set forth on Schedule 4.3(a).

(b)The Member is, immediately prior to the Closing, the exclusive owners of, and have good and valid title to and record and beneficial ownership of, the membership interests of the Company set forth next to the Member's name on Schedule 4.3(a), and such membership interests (i) are validly issued, fully paid, and nonassessable, and (ii) are, and shall be transferred, assigned and delivered to the Purchaser at Closing, free and clear of all Liens.

(c)Other than the membership interests listed on Schedule 4.3(a), the Member own no membership interests of the Company or any other equity security of the Company, or any option, warrant, right, call, commitment or right of any kind to have any such equity security issued.

Section 4.4Subsidiaries. The Company has never owned and does not currently own, directly or indirectly, any capital stock or other equities, securities or interests in any other corporation or in any limited liability company, partnership, joint venture or other entity.

Section 4.5Absence of Restrictions and Conflicts.

(a)The execution, delivery and performance of this Agreement, the consummation of the transactions contemplated hereby and thereby, and the fulfillment of and compliance with the terms and conditions hereof and thereof, do not or will not (as the case may be), with the passing of time or the giving of notice or both, violate or conflict with, constitute a breach of or default under, result in the loss of any benefit under, permit the acceleration of any obligation under or create in any party the right to terminate, modify or cancel, (a) any term or provision of the charter documents of the Company, (b) any Company Contract (defined in Section 4.13) or any other contract, agreement, permit, franchise, license or other instrument applicable to the Company or the Member, (c) any judgment, decree or order of any court or Governmental Entity or agency to which the Company or the Member are a party or by which the Company or the Member or any of their respective properties are bound, or (d) any Law or arbitration award applicable to the Company or the Member. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required with respect to the Company or the Member in connection with the execution, delivery or performance of this Agreement, or the consummation of the transactions contemplated hereby or thereby.

(b)The execution, delivery and performance of this Agreement, the consummation of the transactions contemplated hereby and thereby and the fulfillment of and compliance with the terms and conditions hereof and thereof do not, with the passing of time or the giving of notice or both, violate or conflict with, constitute a breach of or default under, result in the loss of any benefit under, permit the acceleration of any obligation under or create in any party the right to terminate, modify or cancel (a) any contract, agreement, permit, franchise, license or other instrument applicable to the Member, (b) any judgment, decree or

order of any Governmental Entity to which the Member is a party or by which the Member or his properties are bound, or (c) any Law or arbitration award applicable to the Member.

Section 4.6 Real Property.

(a) The Company does not own and never has owned any real property.

(b) Schedule 4.6(b) sets forth a correct and complete list of the Leased Real Property.

(c) The Company has a valid leasehold interest in its Leased Real Property, and the leases granting such interests are in full force and effect.

(d) To the Knowledge of each Member, no portion of the Leased Real Property, or any building or improvement located therein, violates any Law, including those Laws relating to zoning, building, land use, environmental, health and safety, fire, air, sanitation and noise control. Except for the Permitted Liens, to the Knowledge of each Member no Leased Real Property is subject to (i) any decree or order of any Governmental Entity (or, to the Knowledge of the Member, threatened or proposed order) or (ii) any rights of way, building use restrictions, exceptions, variances, reservations or limitations of any nature whatsoever.

(e) The improvements and fixtures on the Leased Real Property are in good operating condition and in a state of good maintenance and repair, ordinary wear and tear excepted, and are adequate and suitable for the purposes for which they are presently being used. To the Knowledge of the Member, none of the buildings and improvements owned or utilized by the Company is constructed of, or contains as a component part thereof, any material that, either in its present form or as such material could reasonably be expected to change through aging and normal use and service, releases any substance, whether gaseous, liquid or solid, which is or may be, either in a single dose or through repeated and prolonged exposure, injurious or hazardous to the health of any individual who may from time to time be in or about such buildings or improvements. There is no condemnation, expropriation or similar proceeding pending or, to the Knowledge of the Member, threatened against any of the Leased Real Property or any improvement thereon. The Leased Real Property constitutes all of the real property utilized by the Company in the operation of the Business.

(f) In relation to each Leased Real Property true and complete copy of the relevant lease agreement has been provided to the Purchaser, the Company is the current tenant of that properties, no written notices of any material breach have been given or received by the Company under the relevant lease agreement and there have been no breach of any lease contracts.

Section 4.7 Title to Assets; Related Matters.

(a) The Company has good and marketable title to all of its property and assets, free and clear of all Liens except Permitted Liens.

(b) All equipment and other items of tangible personal property and assets of the Company (i) are in good operating condition and in a state of good maintenance and repair,

ordinary wear and tear excepted, (ii) were acquired and are usable in the Ordinary Course, and (iii) conform to all Laws applicable thereto. There is no defect or problem with any of such equipment, tangible personal property or assets, other than ordinary wear and tear. No Person other than the Company owns any equipment or other tangible personal property or assets situated on the premises of the Company, except for the leased items that are subject to personal property leases. Since October 3, 2023, the Company has not sold, transferred or disposed of any assets, other than sales of inventory in the Ordinary Course.

(c) Tangible Personal Property. Schedule 4.7(c) sets forth a correct and complete list and general description of each item of tangible personal property of the Company (including leased personal property) having a book value of more than \$10,000.

Section 4.8 Financial Statements. The Financial Statements are attached as Schedule 4.8 hereto. Except as expressly noted on Schedule 4.8:

(a) Each of the Financial Statements (including, in all cases, the notes thereto, if any) (i) are accurate and complete in all material respects, (ii) are based upon and consistent with information contained in the books and records of the Company (which books and records are accurate, correct and complete in all material respects), (iii) fairly present, in all material respects, the financial condition and results of operations and cash flows of the Company, on a consolidated basis, as of the times and for the periods referred to therein in accordance with applicable Law, and (iv) were prepared in accordance with the Accounting Act and Law applied by the Company and its accounting advisors in good faith and on a consistent basis throughout the periods covered thereby.

(b) All reserves that are set forth in or reflected in the Latest Balance Sheet have been made in accordance with the Accounting Act. The Company's revenue recognition policies and methodologies were consistently applied in the Financial Statements for the periods referred to therein in accordance with the Accounting Act. The Company has maintained a system of accounting (established and administered in accordance with the Accounting Act) The Company has not maintained any off-the-book accounts or entered into any transactions for any off-balance sheet activity.

Section 4.9 No Undisclosed Liabilities. The Company does not have any liability (whether absolute, accrued, contingent or otherwise) of the type that are required to be disclosed on the face of a balance sheet prepared in accordance with GAAP that is not adequately reflected or provided for in the Balance Sheet, except liabilities that have been incurred since the date of the Balance Sheet in the Ordinary Course. In addition, the Company declares that there are no facts which might give rise to a claim or liability in the future.

Section 4.10 Absence of Certain Changes. Since the date of the Balance Sheet, there has not been (i) any Material Adverse Effect or (ii) any damage, destruction, loss or casualty to property or assets of the Company with a value in excess of \$5,000, whether or not covered by insurance. Since the date of the Balance Sheet the Company has:

(a) conducted its business in the Ordinary Course;

(b)not disposed of or permitted to lapse any right to the use of any patent, trademark, trade name, service mark, license or copyright of the Company (including any of the Company's Intellectual Property), or disposed of or disclosed to any Person, any trade secret, formula, process, technology or know-how of the Company not heretofore a matter of public knowledge;

(c)not (i) sold or transferred any asset, other than finished goods sold in the Ordinary Course, (ii) granted, created, incurred or suffered to exist any Lien on any asset of the Company, (iii) written off as uncollectable any guaranteed check, note or account receivable, except in the Ordinary Course, (iv) written down the value of any asset or investment on the books or records of the Company, except for depreciation and amortization in the Ordinary Course or (v) cancelled any debt or waived any claim or right (except as provided in Section 4.25(a) of this Agreement);

(d)not increased in any manner the base compensation of, or entered into any new bonus or incentive agreement or arrangement with, any of its employees, officers, managers or consultants other than in the Ordinary Course;

(e)not incurred any obligation or liability other than in the Ordinary Course;

(f)not entered into, amended, waived, failed to renew or terminated any contract required to be disclosed pursuant to Section 4.13 other than in the Ordinary Course;

(g)not made any change in accounting or cash management procedures, policies, practices or methods, except as required by applicable Law;

(h)not made any Tax election or changed an existing Tax election; or

(i)not entered into any contract or agreement to do any of the foregoing as set forth in clauses (b) through (h).

Section 4.11 Legal Proceedings.

(a)There is no suit, action, claim, arbitration, proceeding or investigation pending or, to the Knowledge of the Member, threatened against, relating to or involving the Company or its real or personal property before any Governmental Entity or arbitrator (a "Legal Proceeding"). The Company is not subject to any judgment, decree, injunction, rule or order of any court or arbitration panel. No Person has filed or, to the Knowledge of the Member, has threatened to file against the Company a claim or action relating to any of the Company's assets or businesses under any federal or state whistleblower statute, including the False Claims Act (31 U.S.C. § 3729 et seq.).

(b)There are no suits, actions, claims, proceedings or investigations pending or, to the Knowledge of the Member, threatened against, relating to or involving the Member, or either of them, which could reasonably be expected to adversely affect the Members' ability to consummate the transactions contemplated by this Agreement.

Section 4.12 Compliance with Law. The Company is (and has been at all times during the past five (5) years) in compliance in all respects with all applicable Laws (including applicable Laws relating to zoning, environmental matters and the safety and health of employees). The Company has not been charged with, nor received any written notice that it is under investigation with respect to, and the Company is not otherwise now under investigation with respect to, any violation of any applicable Law or other requirement of a Governmental Entity, (ii) the Company is not a party to, or bound by, any order, judgment, decree, injunction, ruling or award of, any Governmental Entity or arbitrator and (iii) the Company has filed all reports and has all Licenses required to be filed with any Governmental Entity on or prior to the date hereof.

Section 4.13 Company Contracts.

(a) Schedule 4.13(a) sets forth a correct and complete list of the following contracts to which the Company is a party, by which the Company or any of its property is subject, or by which the Company is otherwise bound, whether oral or written (collectively, the "Company Contracts") (other than the Employment Agreements set forth on Schedule 4.15, the Company Benefit Plans set forth on Schedule 4.16 and the insurance policies set forth on Schedule 4.18):

(i) all bonds, debentures, notes, loans, credit or loan agreements or loan commitments, mortgages, indentures, guarantees or other contracts relating to the borrowing of money or binding upon any properties or assets (real, personal or mixed, tangible or intangible) of the Company;

(ii) all leases relating to the Leased Real Property or other leases or licenses involving any properties or assets (whether real, personal or mixed, tangible or intangible);

(iii) all contracts and agreements that (A) limit or restrict the Company or any of its officers, managers, employees, members or other equity holders, agents or representatives (in their capacity as such) from engaging in any business or other activity in any jurisdiction; (B) create or purport to create any exclusive or preferential relationship or arrangement; or (C) otherwise restrict or limit the ability of the Company to operate or expand its Business;

(iv) all contracts and agreements for capital expenditures or the acquisition or construction of fixed assets requiring the payment by the Company of an amount in excess of \$10,000, individually or in the aggregate;

(v) all contracts and agreements that provide for an increased payment or benefit, or accelerated vesting, upon the execution hereof, or the Closing, or in connection with the transactions contemplated hereby;

(vi) all contracts and agreements granting any Person a Lien on all or any part of any asset;

(vii) all contracts and agreements for the cleanup, abatement or other actions in connection with any Hazardous Materials, the remediation of any existing environmental condition or relating to the performance of any environmental audit or study;

(viii) all contracts and agreements granting to any Person an option or a first refusal, first-offer or similar preferential right to purchase or acquire any assets;

(ix) all contracts and agreements with any agent, distributor or representative that are not terminable without penalty on thirty (30) days' or less notice; and

(x) all joint venture or partnership contracts and all other contracts providing for the sharing of any profits.

Section 4.14 Tax Returns: Taxes.

(a) To the Knowledge of each Member, all returns, declarations, indicative lists, information, notices, computations and any other documentation of the Company required for the purposes of any Taxation have been made by the relevant date and on a proper and timely basis in accordance with the applicable Tax Laws. None of them is the subject of any dispute with any Tax Authority; all tax returns complied with tax regulations, were true, complete and duly reflected the facts concerning the Company's taxable revenues and tax costs, operations, assets, transactions, situation and other affairs of the Company.

(b) The Company has paid all Taxes due under applicable legal regulations for its assets, ownership rights, business and transactions (regardless of whether they are disclosed or reflected in any tax return), which are due for a period ending on or before the Completion Date and the payment deadline of which was before the Completion Date, and has deducted, withheld or paid all Taxes required in connection with amounts paid or due to any employee, independent business partner, creditor, shareholder or any other person, and has observed all documentation and reporting requirements, including keeping the required books, and consequently, the Company has no Tax arrears with payment or withholding of any Tax and there are no unreported Tax liabilities of the Company.

(c) The Company is tax resident in Poland only. There are no legal and factual circumstances that would allow to claim that the Company is tax resident in any other jurisdiction based on the legal requirements of the given country or any international treaty concluded by such country. The Company is not liable for income Taxes as well as any other Taxes outside of Poland. The Company is not registered outside Poland for the purposes of value added tax (VAT) or any other Tax including any indirect, turnover, income and/or property tax. For avoidance of doubt, this includes, but is not limited to, the lack of a permanent establishment for income tax purposes or a fixed place of business for VAT purposes.

(d) The Company has not asked for any extension of time to pay Taxes or to pay Taxes in instalments. The Company has not benefited from and is not currently benefiting from any tax relief or any tax deferral programme.

(e) The Company does not have any outstanding Tax liabilities.

(f) Other than routine VAT audits for which there has been no finding of wrongdoing on the part of the Company, the Company is not and has not been the subject of an audit or other examination of Taxes by any Tax Authority (and no such audit is pending or

contemplated) nor has the Company received or is expecting to receive any notices from any Tax Authority relating to any issue which could affect the Tax liabilities of the Company. The Company is not subject to any court proceedings with respect to Taxes. The Company has not received any decision from any Tax Authority on liability for outstanding Taxes of third party.

(g)The Company has not paid or become liable to pay any interest, penalty surcharge or fine relating to Taxation; and none remain outstanding.

(h)There no grounds for the liability of the Company for outstanding Taxes of any third party, the Company has no outstanding Tax liabilities arising prior to transformation into limited liability company.

(i)The Company has not received any decision issued by relevant public administrative authorities on adjustment or rectification of any Tax declared and paid by the Company, which would result in the obligation for the Company to pay any amount that could be the basis for claiming payment of those amounts by the Company as at the Completion Date or after that date and there are no disputes concerning those issues.

(j)The Company has carried out all intra-group transactions on an arm's-length basis, and is able to provide documentation to support this. There are no circumstances which could require the Company or cause any Tax Authority to make any adjustment for Tax purposes to the terms on which any such transaction is treated as taking place, and no such adjustment has been made by the Company or made or proposed by any Tax Authority. The Company has a transfer pricing documentation relating to intra-group transaction to the extend that was required by the binding corporate income tax provisions.

(k)All customs documentation correctly confirms the origin of all imported goods.

(l)The Company has properly operated and dealt with all Taxes and Tax advances (including social security and health insurance contributions) which it is obliged to pay or remit regarding its directors and employees, and has complied with all other relevant, applicable regulations as well as maintained proper documentation and payrolls in accordance with the relevant, applicable regulations.

(m)The Company has correctly applied the VAT rates related to its activities, no irregularities have been detected in relation to this and it has no outstanding Tax liabilities in relation to this.

(n)The Company has prepared and possesses appropriate records, information and documentation which are required by the Tax law and all these records, information and documentation are available to be accessed and reviewed as required by the Tax law in order to enable calculation, presentation or verification of any Taxes or matters related to Taxes.

(o)None of the assets of the Company is subject to confiscation or forfeiture or is pledged whether by virtue of non-payment or underpayment of any Tax or by virtue of non-compliance with any legislation or regulation relating to any Tax or otherwise howsoever.

(p)The Company is not a member of any tax group or fiscal unity group for tax purposes.

(q)The Company has not entered into or been a party to any scheme or arrangement designed partly or wholly for the purpose of avoiding or deferring taxation. All the transactions of the Company were justified from the business perspective in view of the Tax law.

Section 4.15 Officers and Employees.

(a)Schedule 4.15 contains a correct and complete list of (a) all of the officers of the Company, specifying their position, annual rate of compensation, work location, length of service, and other benefits provided to each of them, respectively, and (b) all of the employees (whether full-time, part-time or otherwise) and independent contractors of the Company, specifying their position, status, annual salary, hourly wages, work location, length of service, other benefits provided to each of them, respectively, consulting or other independent contractor fees, together with an appropriate notation next to the name of any officer or other employee on such list who is subject to any written Employment Agreement or any other written term sheet or other document describing the terms or conditions of employment of such employee or independent contractor or of the rendering of services by such independent contractor. Except as set forth on Schedule 4.15, the Company is not a party to or bound by any Employment Agreement. The Member has provided to the Purchaser correct and complete copies of each Employment Agreement to which the Company is a party, or by which it is otherwise bound. Each such Employment Agreement is legal, valid, binding and enforceable in accordance with its respective terms with respect to the Company;

(b)there is no existing default or breach by the Company under any Employment Agreement (or event or condition that, with notice or lapse of time or both, could constitute a default or breach) and there is no such default (or event or condition that, with notice or lapse of time or both, could constitute a default or breach) with respect to any third party to any Employment Agreement;

(c)neither the Company nor the Member have received a claim from any Governmental Entity to the effect that the Company has improperly classified as an independent contractor any Person named on Schedule 4.15;

(d)except as reflected in the Post-Closing Employment Agreement, neither the Company nor the Member have made any verbal not written commitments to any officer, employee, former employee, consultant or independent contractor of the Company with respect to compensation, promotion, retention, termination, severance or similar matters in connection with the transactions contemplated hereby or otherwise. Except as indicated on Schedule 4.15, all officers and employees of the Company are active on the date hereof and has not given written notice of any intent to terminate their employment with the Company;.

(e)the Company is not in default with the payment of remuneration (including overtime allowance, night-work allowance);

(f)the Company is not in default with the payment of the social security contributions, health insurance, Labor Fund premiums and premiums for Guaranteed Employee Benefits Fund concerning its employees, officers, contractors as required by applicable legislation;

(g)in the past three years, no dispute has arisen or is pending between the Company and any of its employees;

(h)the Company is not, and in the three (3) years preceding the date of this Agreement has not been, a party to, bound by, or negotiating any collective bargaining agreement or other Contract with a union, works council or labor organization (collectively, “Union”), and there is not, and has not been in the three (3) years preceding the date of this Agreement, any Union representing or purporting to represent any employee, independent contractor or consultant of the Company. In the three (3) years preceding the date of this Agreement, there has not been, nor has there been any threat of, any strike, slowdown, work stoppage, lockout or other similar labor disruption or dispute affecting the Company or any employees, independent contractors or consultants of the Company, with respect to their work for the Company. The Company does not currently have any duty to recognize or bargain with any Union.

Section 4.16Company Benefit Plans. The Company does not provide the employees with any voluntary, non-statutory bonuses, awards, pension or retirement plans, benefits other than set forth on Schedule 4.16. There is no existing default nor breach regarding statutory obligations related to employee capital plan. The Company does not have a social benefit fund and there is no existing default nor breach with regard to social benefit fund.

Section 4.17[Intentionally Omitted].

Section 4.18Insurance Policies. Schedule 4.18(a) sets forth a list of all policies of insurance maintained (currently maintained or held within the last four (4) years), owned or held by the Company (collectively, the “Insurance Contracts”), including the policy limits or amounts of coverage, deductibles or self-insured retentions, and annual premiums with respect thereto; provided, however, that, notwithstanding the foregoing, with respect to any workers’ compensation Insurance Contracts maintained, owned or held by the Company, Schedule 4.18(a) sets forth a list of such workers’ compensation Insurance Contracts currently maintained or held within the last two (2) years, including the policy limits or amounts of coverage, deductibles or self-insured retentions, and annual premiums with respect thereto. Such Insurance Contracts are valid and binding in accordance with their terms, are in full force and effect, are in amounts sufficient for all requirements of Law and contracts to which the Company is a party or by which it is bound, and the Insurance Contracts will continue in effect after the Closing Date. Similar coverage to the coverage set forth in the Insurance Contracts has been maintained on a continuous basis for the last four (4) years. The Company has not received written notice that (i) it has breached or defaulted under any of such Insurance Contracts, (ii) that any event has occurred that would permit termination, modification, acceleration or repudiation of such Insurance Contracts, or (iii) of termination or cancellation of any such Insurance Contract. The Company is not in default (including a failure to pay an insurance premium when due) in any material respect with respect to any Insurance Contract, nor has the Company failed to give any notice of any material claim

under such Insurance Contract in due and timely fashion, nor has the Company ever been denied or turned down for insurance coverage. No insurer has put the Company on notice that coverage will be denied, nor has any such coverage been denied, with respect to any claim submitted to such insurer by the Company in the last three (3) years. There are no claims by the Company pending under any of such Insurance Contracts as to which coverage has been questioned, denied or disputed by the underwriters of such Insurance Contracts or in respect of which such underwriters have reserved their rights.

Section 4.19 Environmental, Health and Safety Matters. Except as set forth on Schedule 4.19:

(a) the Company has not been alleged to be in violation of, and has not been subject to any administrative or judicial proceeding pursuant to, applicable Environmental Laws either now or any time during the past five (5) years;

(b) the Company is not subject to any claim, obligation, liability, loss, damage or expense of any kind or nature whatsoever, contingent or otherwise, incurred or imposed or based upon any provision of any Environmental Law or arising out of any act or omission of the Company, or the Company's employees, agents or representatives or arising out of the ownership, use, control or operation by the Company of any plant, facility, site, area or property (including any plant, facility, site, area or property currently or previously owned or leased by the Company) from which any Hazardous Materials were Released;

(c) the Company has made available to the Purchaser correct and complete copies of all reports, correspondence, memoranda, computer data and the complete files relating to environmental matters of the Company; and the Company has not paid any fine, penalty or assessment within the prior five (5) years with respect to environmental matters; and

(d) to the Knowledge of the Member, no Leased Real Property, improvement or equipment of the Company contains any asbestos, polychlorinated biphenyls, underground storage tanks, open or closed pits, sumps or other containers.

(e) the Company has not been alleged to be in violation of, and has not been subject to any administrative or judicial proceeding pursuant to, applicable Food Quality and Safety Regulations either now or any time during the past five (5) years;

(f) the Company is not subject to any claim, obligation, liability, loss, damage or expense of any kind or nature whatsoever, contingent or otherwise, incurred or imposed or based upon any provision of any Food Quality and Safety Regulations;

(g) the Company is a food business operator in the meaning of article 3 point 3 of Regulation No 178/2002 and its business activity falls under the official control and supervision of the competent authority;

(h) the Company has implemented and applies traceability procedures set forth in the Regulations No. 178/2002, No. 852/2004 and No. 1935/2004 concerning all substances,

ingredients, materials and services which are used in manufacture of the plant-based food products;

(i)the Company’s employees who work in contact with food have adequate knowledge and undergo trainings on the regular basis;

(j)the Company’s employees who have contact with food have current medical tests confirming the absence of contraindications to perform work, in performance of which there is a possibility of contamination of food or other persons;

(k)the Company has developed and implemented and applies procedures at all stages of its activity that satisfy the relevant hygiene requirements laid down in Regulation No. 852/2004, including food safety culture requirements;

(l)raw materials used to produce the plant-based food products meet the requirements of current European food legislation;

(m)ingredients used in the plant-based food products:

- ~ do not contain more than 0.9 % GMO materials or are produced from GMO,
- ~ are not preserved by the use of irradiation, or
- ~ are not engineered nanomaterials.

Section 4.20 Intellectual Property

(a)Schedule 4.20(a) contains a list of all Company Registered Intellectual Property, which identifies each item of Company Registered Intellectual Property by serial number, registration number or other unique identifier, filing date, grant date or registration date and the relevant jurisdiction.

(b)Schedule 4.20(b) contains a list of all Company Intellectual Property other than the Company Intellectual Property set forth on Schedule 4.20(a).

(c)To the Knowledge of the Member, no Company Intellectual Property owned by the Company or product or service used by the Company related to Company Intellectual Property is subject to any proceeding or outstanding decree, order, judgment, agreement or stipulation (i) restricting in any manner the use, transfer, sale or licensing thereof by the Company or (ii) that may affect the validity, registrability, ownership, use or enforceability of the Company Intellectual Property. Each item of Company Registered Intellectual Property is valid and subsisting and to the Knowledge of the Member there are no grounds for invalidation or revocation of any of the Company Registered Intellectual Property. All necessary registration, maintenance and renewal fees currently due in connection with Company Registered Intellectual Property have been made and to the Knowledge of the Member all necessary documents, recordations and certifications in connection with such Company Registered Intellectual Property have been filed with the relevant patent, copyright, trademark or other authorities in Poland, the European Union or foreign jurisdictions, as the case may be, for the purpose of maintaining the Company Registered Intellectual Property.

(d)To the Knowledge of the Member, the operations of the Company as currently conducted and as proposed to be conducted, including the Company’s design, development, manufacture, marketing, distribution and sale of the products of the Company (including with respect to products currently under development), has not, does not and shall not infringe or misappropriate in any manner the Intellectual Property of any third party or constitute unfair competition or trade practices under the Laws of any jurisdiction.

(e)Neither of the Members has Knowledge of, and have not received written notice of or any other overt threat from any third party, that the operation of the Company as it is currently conducted and as proposed to be conducted, or any act, product or service of the Company, infringes or misappropriates the Intellectual Property of any third party or constitutes unfair competition or trade practices under the Laws of any jurisdiction. None of the Company Intellectual Property owned by the Company is subject to any outstanding order, ruling, decree, judgment or stipulation by or with any court, tribunal, arbitrator or other Governmental Entity, or has been the subject of any litigation within the last ten (10) years, whether or not resolved in favor of the Company.

(f)To the Knowledge of the Member and except as set forth on Schedule 4.20(f), no Person has or is infringing or misappropriating any Company Intellectual Property owned by the Company.

(g)The Company has taken reasonable steps to protect and maintain the rights of the Company in the Confidential Information and any trade secret or confidential information of third parties used by the Company, and, without limiting the generality of the foregoing, the Company has enforced a policy requiring each employee and contractor to execute a proprietary information/confidentiality agreement in substantially the form provided to the Purchaser, and, except under confidentiality obligations, there has not been any disclosure by the Company of any Confidential Information or any such trade secret or confidential information of third parties.

(h)There are no royalties, fees, honoraria or other payments payable by the Company or the Member to any Person by reason of the ownership, development, use, license, sale or disposition of the Company Intellectual Property, other than salaries and sales commissions paid to employees and sales agents in the Ordinary Course and end user license or subscription fees not exceeding \$5,000 on an annual basis for off-the-shelf, commercially available software programs. All royalties, license fees, charges and other amounts payable by, on behalf of, to or for the account of Company Intellectual Property are reflected in the Financial Statements.

Section 4.21[Intentionally Omitted].

Section 4.22[Intentionally Omitted].

Section 4.23Amounts owed to Member. Except as set forth on Schedule 4.23, the Company is not obligated to pay the Member any amount, including any salary and employee benefits, accrued prior to the Closing.

Section 4.24Supplier Relations. Schedule 4.24 contains a correct and complete list of the names and addresses of the Suppliers. The Company maintains good relations with each of its Suppliers, and no event has occurred that could materially and adversely affect the Company's relations with any Supplier. Except as set forth on Schedule 4.24, no Supplier has during the last twelve (12) months cancelled, terminated or made any threat to cancel or otherwise terminate any of its contracts with the Company or to decrease its supply of the Company's products of the Business. The Member does not have any Knowledge to the effect that any current Supplier may terminate or materially alter its business relations with the Company, either as a result of the transactions contemplated hereby or otherwise.

Section 4.25Accounts Receivable. The Member has delivered to the Purchaser a correct and complete schedule of the Receivables showing the amount of each Receivable and an aging of amounts due thereunder, which schedule is correct and complete as of that date. Except as set forth on Schedule 4.25, the debtors to whom the Receivables relate are not in or subject to a bankruptcy or insolvency proceeding and none of the Receivables have been made subject to an assignment for the benefit of creditors. All such Receivables are current and there are no disputes regarding the collectability of any such Receivables. Except as set forth on Schedule 4.25, all Accounts Receivable on the Final Working Capital Statement (net of any reserves shown thereon) (i) are valid, existing and collectible in a manner consistent with the Company's past practice without resort to legal proceedings or collection agencies, (ii) represent monies due for goods sold and delivered or services rendered in the Ordinary Course, and (iii) are not subject to any refund or adjustment or any defense, right of set-off, assignment, restriction, security interest or other Lien. The Company has not factored any of its Receivables.

Section 4.26[Intentionally Omitted].

Section 4.27[Intentionally Omitted].

Section 4.28Product Warranties and Guaranties.

(a)The Company does not make any express warranty or guaranty as to goods sold by the Company (a "Warranty"), and there is no pending or, to the Knowledge of the Member, threatened claim alleging any breach of any Warranty. The Company does not have any exposure to, or liability under, any Warranty (i) beyond that which is typically assumed in the ordinary course of business by Persons engaged in businesses comparable in size and scope of the Company, or (ii) that would have a Material Adverse Effect.

(b)Adequate reserves for any expense to be incurred by the Company as a result of any Warranty granted prior to the Closing will be reflected on the Final Working Capital Statement.

Section 4.29Brokers, Finders and Investment Bankers.Neither the Company, the Member, nor any officer, manager or employee of the Company or any Affiliate of the Company, has employed any broker, finder or investment banker or incurred any liability for any investment banking fees, financial advisory fees, brokerage fees, finder's fees or similar fees in connection with the transactions contemplated hereby.

Section 4.30Bank Accounts. Schedule 4.30 sets forth a correct and complete list and description of all bank accounts used by the Company.

Section 4.31Member Guarantees. No Member has guaranteed any obligations of the Company under any guarantee, letter of credit, bid bond or performance bond.

Section 4.32Restrictions on Business Activities. There is no contract, agreement, judgment, injunction, order or decree to which the Company is a party or otherwise binding upon the Company which has or could be expected to have the effect of prohibiting or impairing any practice or conduct of the Business.

Section 4.33Solvency. Neither the Company, the Member, nor their respective Affiliates have stopped or suspended payment of their respective debts, become unable to pay their debts when due or otherwise become insolvent in any jurisdiction. Neither the Company, the Member, nor their respective Affiliates are the subject of any pending, rendered or, to the Knowledge of the Member, threatened solvency proceedings of any character. Neither the Company, the Member, nor their respective Affiliates has made an assignment for the benefit of creditors or taken any action with a view to or that would constitute a valid basis for the institution of any such insolvency proceedings.

Section 4.34Disclosure. No representation, warranty or covenant made by the Member in this Agreement or the Schedules contains, to the Knowledge of the Member, an untrue statement of a material fact or omits to state a material fact required to be stated herein or therein necessary to make the statements contained herein or therein not misleading.

ARTICLE 5
[INTENTIONALLY OMITTED]

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser hereby represents and warrants to the Member as follows:

Section 6.1Organization. The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted.

Section 6.2Authorization. The Purchaser has full company power and authority to execute and deliver this Agreement, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement by the Purchaser, the performance by the Purchaser of its obligations hereunder and thereunder, and the consummation of the transactions provided for herein and therein have been duly and validly authorized by all necessary limited liability company action on the part of the Purchaser. This Agreement has been duly executed and delivered by the Purchaser and constitute the valid and binding agreements of the Purchaser, enforceable against the Purchaser in accordance with their respective terms, subject to applicable bankruptcy insolvency and other similar Laws

affecting the enforceability of creditors' rights generally, general equitable principles and the discretion of course in granting equitable remedies.

Section 6.3 Absence of Restrictions and Conflicts. The execution, delivery and performance of this Agreement, the consummation of the transactions contemplated hereby and thereby and the fulfillment of, and compliance with, the terms and conditions hereof and thereof do not, with the passing of time or the giving of notice or both, violate or conflict with, constitute a breach of or default under, result in the loss of any benefit under, or permit the acceleration of any obligation under, (a) any term or provision of the charter documents of the Purchaser, (b) any contract to which the Purchaser is a party, (c) any judgment, decree or order of any Governmental Entity to which the Purchaser is a party or by which the Purchaser or any of its properties is bound, or (d) any statute, law, rule or regulation applicable to the Purchaser unless, in each case, such violation, conflict, breach, default, loss of benefit or accelerated obligation would not, either individually or in the aggregate, have a material adverse impact on the ability of the Purchaser to consummate the transactions contemplated hereby.

Section 6.4 Solvency. The Purchaser (a) is not insolvent, (b) is able to meet its debts and obligations as they come due, and (3) will be able to meet its debts and obligations immediately after the consummation of the transactions contemplated by this Agreement.

Section 6.5 Source of Funds. The source of funds for the Purchaser's payment of the Closing Cash is cash from operations of the Purchaser.

Section 6.6 Working Capital Loan. The Purchaser intends to provide to the Company an initial working capital investment in the form of a loan subsequent to the Closing._

ARTICLE 7 CERTAIN COVENANTS AND AGREEMENTS

Section 7.1 Public Announcements. The Parties shall consult with one another regarding the timing and content of all announcements regarding this Agreement or the transactions contemplated hereby to the financial community, Governmental Entities, employees, customers, suppliers or the general public and shall use reasonable efforts to agree upon the text of any such announcement prior to its release; provided, however, that the Member acknowledges that certain information and the timing of disclosure is governed by applicable rules for public companies in the U.S. and in no instance shall the Member refuse to approve any portion of a disclosure required by the Purchaser under applicable law, rule or regulation Notwithstanding the foregoing, without the prior written consent of the Purchaser, neither the Company nor any Member shall at any time disclose to any Person this Agreement other than to such Parties' advisors who the Member reasonably determine(s) needs to know such information for the purpose of advising the Member, it being understood that such advisor will be informed of the confidential nature of this Agreement and the terms of this Agreement and will be directed to treat such information as confidential in accordance with the terms of this Agreement.

Section 7.2 Stock Consideration Leak-Out; Favored Nations. The Member agrees that he will not, on a combined basis, on any single trading day sell, transfer, trade or otherwise dispose of any shares of the Purchaser's stock in an amount exceeding the greater of (a) fifteen percent

(15%) of the Purchaser's common stock sold in the aggregate based on the greater of the preceding or current trading day, and (b) \$3,000 gross value of the shares of the Purchaser's stock sold by either or both of the Members. Notwithstanding the foregoing, in the event the Purchaser enters into a Leak-Out Agreement with any third party on terms more favorable to such third party than the terms applicable to the Member herein, the Member shall be afforded the more beneficial terms offered to such third party.

Section 7.3 Tax Matters.

(a) Filing of Tax Returns. The Member shall control the preparation and filing of all tax returns that are required to be filed by or with respect to the Company and for pre-closing tax periods (collectively, "Seller Prepared Returns"); provided, however, if any Seller Prepared Return is to be filed after the Closing Date and the Member is not authorized to execute and file such Tax Return by applicable law, Purchaser shall execute and file (or cause to be filed) such Seller Prepared Return with the appropriate taxing authority. All such Seller Prepared Returns shall be prepared and filed in a manner consistent with past practice of the Company, except as required by applicable law or unless tax advisors to the Member conclude that a tax return cannot be so prepared without incurring penalties. The Member shall provide the Purchaser with copies of completed drafts of such tax returns no later than thirty (30) days prior to the due date for filing thereof (including applicable extensions) for Purchaser's review and comment and shall consider in good faith all comments received no later than fifteen (15) days prior to the due date for filing thereof (including applicable extensions). Other than Seller Prepared Returns described above, Purchaser will prepare, or cause to be prepared, and timely file, or cause to be timely filed, all tax returns for the Company for Straddle Periods. Such tax returns shall be prepared in a manner consistent with past practice of the Company, except as otherwise required by applicable law or unless tax advisors to Purchaser conclude that a tax return cannot be so prepared without incurring penalties.

(b) Payment of Taxes. Not later than five (5) days prior to the due date for the payment of taxes on any tax return which Purchaser has the responsibility file or to cause to be filed pursuant to Section 7.2(a), the Member shall pay to Purchaser the amount of taxes, as reasonably determined by Purchaser, owed by the Member pursuant to the provisions of Section 7.2(c). Any amounts deemed due in accordance with this Section 7.2(b) shall be offset by any tax prepayments made by Company prior to the Closing Date and applicable to the tax year in question. To the extent such tax prepayments are greater than amounts deemed owed hereunder, the same shall be reimbursed to the Member.

(c) Straddle Period Tax Allocation. Any liability or credit for taxes attributable to any taxable period that begins on or before and ends after the Closing Date (a "Straddle Period") shall be apportioned between the portion of such period ending on or prior to the Closing Date and the portion beginning after the Closing Date (a) in the case of business personal property and ad valorem Taxes, by apportioning such taxes on a per diem basis and (b) in the case of all other taxes, on a closing of the books basis, provided that exemptions, allowances or deductions that are calculated on an annual basis (including, but not limited to, depreciation and amortization deductions) shall be apportioned on a per diem basis.

(d)Tax Sharing Agreements. Any Tax sharing agreement with respect to or involving the Company has been terminated as of the date hereof and shall have no further effect for any Taxable year (whether the current year, a future year, or a past year).

(e)Certain Taxes. All transfer, documentary, sales, use, stamp, registration and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement shall be paid fifty percent (50%) by the Member and fifty percent (50%) by the Purchaser when due, and the Member will, at his own expense, file all necessary Tax Returns and other documentation with respect to all such transfer, documentary, sales, use, stamp, registration and other Taxes and fees, and, if required by applicable Law, the Purchaser will, and will cause its Affiliates to, join in the execution of any such Tax Returns and other documentation.

Section 7.4Non-Competition and Non-Solicitation Agreement.

(a)For and in consideration of the Transaction contemplated herein, during the period commencing on the Closing Date and ending on the expiration of the Calculation Period (the “Restricted Period”), the Member and Barbara McWhorter shall not, and shall cause each of their Affiliates not to, engage in any “Restricted Activity” in the “Restricted Territory” (as such terms are defined below); *provided*, that Barbara McWhorter shall not be prohibited pursuant to this Section 7.3 from complying with the terms of her employment by the Company;

(b)“Restricted Activity” shall mean directly or indirectly (or having any interest in, or performing any services for, any Person directly or indirectly):

(i)engaging in any activity that is the same as, similar to, or competitive with the Business;

(ii)engaging in the development or distribution of any product or service that is the same as, similar to, or competitive with any Seller Product and Service being developed or distributed by Purchaser during the Restricted Period;

(iii)(A) inducing or attempting to induce any employee, independent contractor, or other Person providing services to the Company or the Purchaser (or any of its Affiliates) to leave the employ of the Company or the Purchaser (or such Affiliate) or to cease providing services to the Purchaser or the Company (or such Affiliates), (B) in any way interfering with the relationship between the Company or the Purchaser (or any of its Affiliates) and any employee or independent contractor of the Company or the Purchaser (or such Affiliates), or any other Person providing services to the Company or the Purchaser (or such Affiliates), (C) employing or otherwise engaging or hiring (including participating in the interviewing, selecting, recruiting, screening, hiring, training or on-boarding) as an employee, independent contractor or otherwise, any employee or independent contractor of the Company or the Purchaser (or any of their Affiliates), or any Person who has been such an employee or independent contractor of the Company or the Purchaser (or such Affiliates) during the preceding 12-month period, or (D) inducing or attempt to induce any customer, supplier, licensee or business relation of the Company or the Purchaser (or any of its Affiliates) to cease doing business with the Company or the

Purchaser (or such Affiliates), or in any way interfering with the relationship between any customer, supplier, licensee or business relation of the Company or the Purchaser (or any of their Affiliates).

(iv) soliciting the business of, or engage in business with, any Person known to the Member or any of his/her Affiliates to be a customer of the Business or included on any potential customer or prospect list of the Business with respect to any services or products offered by the Company or the Purchaser or any of their Affiliates.

(v) "Restricted Territory" shall mean the United States and the European Union. During the Restricted Period, the Member shall not, and shall not use reasonable efforts to cause each of their respective Affiliates not to, directly or indirectly, whether in written or oral form, criticize, denigrate or disparage the Company or the Purchaser or any of their Affiliates, or any of their respective current or former managers, equityholders, directors, officers employees or representatives, with respect to any of their respective past or present activities.

Section 7.5 Negative Covenants. Each of the Member and Barbara McWhorter agree as follows:

(a) to refrain from filing applications, motions, or statements of claim to (i) dissolve the Company, (ii) declare invalid the Company's articles of association or the transformation of the business from a sole proprietorship into the Company, (iii) delete the Company from the commercial register;

(b) to refrain from participation in and/or supporting any proceedings referred to under subsection (a), above;

(c) to maintain confidence and not disclose to any third party the nature of the transformation of the business of the Company from a sole proprietorship.

ARTICLE 8 CLOSING

Section 8.1 Closing. The Closing shall occur contemporaneously with the execution and delivery of this Agreement. The Closing shall take place at the offices of Domański Zakrzewski Palinka sp. k., Rondo ONZ 1, 00 – 124 Warszawa, Poland, or at such other place or in such other manner as the Parties may agree.

Section 8.2 Member Closing Deliveries. Contemporaneously with the execution and delivery of this Agreement, the Members have delivered, or caused to be delivered, to the Purchaser the following:

(a) Evidence of the proper authority to execute the Agreement and to perform other Closing Actions, an original written Company's shareholders meeting resolution to appoint a Company's proxy pursuant to Article 210 § 1 of the CCC);

(b) an original written consent of the board of directors to the disposal of Material Interest required by the Company's Articles of Association (§ 14 point 1);

(c)written consents of or notices with respect to (or waivers with respect thereto), as applicable, the third parties to those Company Contracts listed on Schedule 8.2(d) (and all such consents, notices and waivers shall be in full force and effect on and following the Closing);

(d)the organizational record books, minute books and seal of the Company;

(e)all other documents required to be entered into by the Company or any Member pursuant hereto or reasonably requested by the Purchaser to convey the Membership Interests to the Purchaser or to otherwise consummate the transactions contemplated hereby; and

(f)True and accurate list of the Company’s bank accounts, information regarding persons authorized to manage the accounts and scope of their authorizations

Section 8.3Purchaser Closing Deliveries. Contemporaneously with the execution and delivery of this Agreement, the Purchaser has delivered, or caused to be delivered, to the Member the following:

(a)the Closing Cash and the Stock Consideration to be paid and delivered at Closing pursuant to Section 3.1, paid and delivered in accordance with such Section;

(b)a certificate by the Secretary of the Purchaser, dated the Closing Date, as to (i) the good standing of the Purchaser in its jurisdiction of incorporation and (ii) the effectiveness of the resolutions of the managers of the Purchaser authorizing the execution, delivery and performance hereof by the Purchaser passed in connection herewith and the transactions contemplated hereby;

(c)a notification that the Purchaser has acquired the Membership Interests from the Member and thus it has established dominant position over the Company; and

(d)all other documents required to be entered into or delivered by the Purchaser at or prior to the Closing pursuant hereto.

Section 8.4Other Closing Deliveries. Closing is contingent upon the delivery to the Purchaser at Closing of the Post-Closing Service Contract.

Section 8.5Closing Actions. At Closing Date (and in each case not later than one business day after the Closing Date) immediately after signing of this Agreement, the Parties shall undertake the following, in the following order: _

(a)the Parties will sign declaration of the transfer of shares prepared for the purposes of its submission to the Polish Court Register;

(b)the Purchaser and Barbara McWhorter as a Company’s President of the Management Board will sign notification of disposal of shares in a Company pursuant to Article 187 of the CCC;

- (c) the Purchaser shall arrange to pay the Closing Cash;
- (d) the Purchaser shall arrange to pay the Stock Consideration;
- (e) a person authorized to represent the Company and Barbara McWhorter shall sign Post-Closing Service Contract;

**ARTICLE 9
INDEMNIFICATION**

Section 9.1 Indemnification Obligations of the Member. The Member shall indemnify, defend and hold harmless the Purchaser Indemnified Parties from, against, and in respect of any and all demands, claims, suits, proceedings, actions, liabilities, obligations, damages, losses, costs, expenses, penalties, fines, judgments and interest (whether in equity or at law, including statutory and common) whenever arising or incurred (including amounts paid in settlement, costs of investigation and reasonable attorneys' fees and expenses) (collectively, "Losses") arising out of or relating to:

(a) any breach or inaccuracy of any representation or warranty made by the Member in this Agreement (for purposes of this Section 9.1(a)), and except for the reference to "Material Adverse Effect" set forth in clause (i) of the first sentence of Section 4.10 (Absence of Certain Changes), such representations and warranties shall be read without reference to "materiality", "Material Adverse Effect" or similar monetary and non-monetary qualifications, and such representations and warranties shall be read without reference to "Knowledge" or similar qualifications);

(b) any breach of any covenant, agreement or undertaking made by the Member and/or the Company in this Agreement;

(c) claims based on violations of Law as in effect on or prior to the Closing, breach of contract, employment practices or health, safety or environmental matters, in each case arising out of or relating to events which shall have occurred, or services performed, or the operation of the Company, prior to the Closing;

(d) any Company Benefit Plan in respect of or relating to any period ending on or prior to the Closing Date;

(e) (i) any Taxes of the Company with respect to any Tax period or portion thereof ending on or before the Closing (ii) any failure of the Company to file any Tax Return and pay any Tax in accordance with any applicable Law, (iii) any inaccuracy or omission in any Tax Return of the Company, or (vi) any failure of the Company to withhold any Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, member or other third party;

(f) claims by the Member or other holder(s) of equity securities in the Company as a result of the transactions contemplated by this Agreement, other than any claims (i) relating to the Purchaser's failure to pay any portion of the Purchase Price pursuant to this Agreement, (ii) against the Purchaser or any of its Affiliates (other than the Company)

unrelated in any way to the Company, or (iii) against the Purchaser arising under this Agreement;

(g)the operations, actions or omissions of the Company prior to the Closing, other than (i) the obligations of the Company under any contracts or agreements to which the Company is a party or otherwise bound or licenses related to or utilized in connection with the conduct of the Business (to the extent such obligations were not required to be performed on or prior to the Closing Date), and (ii) current liabilities of the Company of a type, to the extent, and in the amount that is reflected on the Final Working Capital Statement;

(h)the Indebtedness and Transaction Expenses to the extent not paid on or prior to the Closing Date or reflected as a current liability on the Final Working Capital Statement;

(i)any losses, damages, penalties, fines, costs, settlement payments, liabilities, assessments, expenses, fees, reasonable attorneys' fees and expenses, costs of administrative proceedings, costs of withdrawal of products from the market and their disposal, costs and expenses exceeding Ten Thousand Dollars (\$10,000) in the aggregate associated with bringing products into compliance, in each case arising out of or related to (1) actual or alleged violations of EU Regulation 2017/2470 pertaining to the use of chia seeds in the Company's products, (2) the failure of the Company to have any of its products listed in particular catalogs as required by law, regulation or practice, (3) actual or alleged violations of rules related to the labeling or representing of any of the Company's products as free from genetically-modified organisms (non-GMO), (3) incorrect or non-compliant labeling of the Company's products, (4) the removal or withdrawal of any of the Company's products from the market as a result of any of the issues set forth in subsections (1) through (3), above, (5) the labeling, Internet presence or composition of any of the Company's products, or (6) any allegation or determination that any of the Company's products are harmful to human health or life;

(j)any losses, damages, penalties, fines, costs, settlement payments, liabilities, assessments, expenses, fees, reasonable attorneys' fees and expenses arising out of or relating to the failure to obtain a consent of spouse expressed in the form of a notarial deed at the time the business of the Company was transferred from a sole proprietorship to a limited liability company;

(k)any failure of the Company (i) to own or possess any License that is necessary to enable it to carry on its operations as presently conducted and as proposed to be conducted ("Necessary Licenses") and maintain such Necessary License as valid, binding and in full force and effect at any time prior to and including the Closing Date; or (ii) to obtain consent from, or provide notice to, any Governmental Entity in connection with the execution, delivery and performance of this Agreement with respect to any Necessary License; and

(l)any (i) adverse effect of the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby on any Necessary License; or (ii) loss or expiration of any Necessary License that was pending or, to the Knowledge of the Member, threatened or reasonably foreseeable (other than expiration upon the end of any term) as of the Closing Date.

The demands, claims, suits, proceedings, actions, liabilities, obligations, damages, losses costs, expenses, penalties, fines, judgments and interest (whether in equity or at law, including statutory and common) whenever arising or incurred (including amounts paid in settlement, costs of investigation and reasonable attorneys' fees and expenses) of the Purchaser Indemnified Parties described in this Section 9.1 as to which the Purchaser Indemnified Parties are entitled to indemnification are collectively referred to as "Purchaser Losses."

If any occurrence or circumstance, operation, action, transaction, breach, failure, obligation, liability, etc. named in this this Section 9.1 refers to the Company, it shall regard and include Brian McWhorter's sole proprietorship prior to its conversion into the Company, to the extent the Company is a legal successor the Brian McWhorter's sole proprietorship. The Parties exclude the Company's joint and several liability with Brian McWhorter for occurrences listed in this Section 9.1.

Section 9.2 Indemnification Obligations of the Purchaser. The Purchaser shall indemnify, defend and hold harmless the Member Indemnified Parties from, against, and in respect of any and all demands, claims, suits, proceedings, actions, liabilities, obligations, damages, losses costs, expenses, penalties, fines, judgments and interest (whether in equity or at law, including statutory and common) whenever arising or incurred (including amounts paid in settlement, costs of investigation and reasonable attorneys' fees and expenses) arising out of or relating to:

- (a) any breach or inaccuracy of any representation or warranty made by the Purchaser in this Agreement; or
- (b) any breach of any covenant, agreement or undertaking made by the Purchaser in this Agreement.

The demands, claims, suits, proceedings, actions, liabilities, obligations, damages, losses costs, expenses, penalties, fines, judgments and interest (whether in equity or at law, including statutory and common) whenever arising or incurred (including amounts paid in settlement, costs of investigation and reasonable attorneys' fees and expenses) of the Member Indemnified Parties described in this Section 9.2 as to which the Member Indemnified Parties are entitled to indemnification are collectively referred to as "Member Losses."

Section 9.3 Offset Rights. Any indemnification obligation of the Member pursuant to this Article IX shall be satisfied first from the Holdback Amount and, if the Holdback Amount is insufficient or has been fully distributed, then by the Member. Notwithstanding any term or provision of this Agreement to the contrary, the Purchaser shall also has the right, at its election, to offset any Earn-Out Payment otherwise due and payable for purposes of satisfying and to the extent of any Purchaser Losses hereunder and to withhold such Earn-Out Payment pending resolution of any Purchaser indemnification claims until such claims and any resulting Purchaser Losses are finally determined in accordance with the terms hereof.

Section 9.4 Claims Period. (i) with respect to Losses arising under (A) Section 9.1(a) with respect to any breach or inaccuracy of any representation or warranty in Section 4.1 (Organization), Section 4.2 (Authorization), Section 4.3 (Membership Interests), Section 4.5 (Absence of Restrictions and Conflicts), Section 4.7 (Title to Assets), Section 4.14 (Tax Returns);

Taxes), Section 6.1 (Authorization), Section 6.2 (Authorization) and Section 6.3 (Absence of Restrictions and Conflicts) (collectively, the “Fundamental Representations”), (B) claims related to fraud, intentional misrepresentation or willful misconduct, or (C) Section 9.1(b), Section 9.1(e), Section 9.1(h) and Section 9.1(i) (the “Special Indemnities”), the claims for Losses shall survive for the period of the applicable statute of limitations, and (ii) with respect to all other Losses arising under Section 9.1(a), Section 9.2(a), the claims for Losses shall survive for a period of twelve (12) months following the Closing Date.

Notwithstanding the foregoing, if, prior to the close of business on the last day of the applicable period to bring a claim for Losses pursuant to this Section 9.4, a party obligated to indemnify shall have been properly notified of a claim for indemnity hereunder and such claim shall not have been finally resolved or disposed of at such date, such claim shall continue to survive and shall remain a basis for indemnity hereunder until such claim is finally resolved or disposed of in accordance with the terms hereof.

Section 9.5 Liability Limits. Notwithstanding anything to the contrary set forth herein, no party entitled to indemnification shall make a claim for indemnification under Section 9.1(a) and Section 9.2(a) for Losses unless and until the aggregate amount of such Losses exceeds \$10,000 (the “Basket”), in which event the party entitled to indemnification may claim indemnification for all Losses including the initial \$10,000; provided, however, claims for indemnification for breach of the Fundamental Representations or the Special Indemnities shall not be subject to the Basket. The total aggregate amount of liability of the Member for Losses under Section 9.1(a) shall be limited to the fifty percent (50%) of the Closing Cash and the Stock Consideration (the “Cap”); provided, however, the Fundamental Representations and the Special Indemnities shall not be subject to the Cap. Subject to the preceding sentence, the total aggregate amount of liability of the Member for Losses hereunder shall be limited to the Purchase Price.

Section 9.6 Mitigation. The computation of Losses pursuant to this Article 9 shall be made after deducting therefrom any proceeds received by the indemnified party from any insurance policies with respect thereto. The Parties shall each use commercially reasonable efforts to mitigate any Losses; provided, that if the Party seeking to mitigate its Losses incurs additional Losses as a result of its mitigation efforts, such additional Losses shall be deemed Losses subject to indemnification under this Article 9.

ARTICLE 10 MISCELLANEOUS PROVISIONS

Section 10.1 Notices. All notices, communications and deliveries required or made hereunder must be made in writing signed by or on behalf of the Party making the same and shall be delivered personally or by a national overnight courier service or by registered or certified mail (return receipt requested), postage prepaid, as follows:

To the Purchaser:

CV Sciences, Inc.
9530 Padgett Street, Suite 107
San Diego, California 92126
Attn: Joseph D. Dowling, CEO

with a copy (which shall not constitute notice) to:

Procopio, Cory, Hargreaves & Savitch, LLP
12544 High Bluff Drive, Suite 300
San Diego, CA 92130
Attn: John Cleary, Esq.

To the Member:

Brian Carl McWhorter

To Barbara McWhorter:

Barbara McWhorter

or to such other representative or at such other address of a Party as such Party may furnish to the other Parties in writing. Any such notice, communication or delivery shall be deemed given or made (a) on the date of delivery, if delivered in person, or (b) one (1) Business Day after deposit with a national overnight courier service for next-day delivery, or (c) five (5) Business Day after deposit with the United States Postal Service, registered or certified mail (return receipt requested), postage prepaid.

Section 10.2Schedules. The Schedules are hereby incorporated into this Agreement and are hereby made a part hereof as if set out in full herein.

Section 10.3Binding Effect; Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, directly or indirectly, including by operation of law, by any Party without the prior written consent of the other Parties; provided, however, that the Purchaser may, without the consent of the Member, (a) assign any or all of its rights and interests hereunder to one or more of its Affiliates (in which case, the Purchaser nonetheless shall remain responsible for the performance of all of its obligations hereunder), (b) designate one or more of its Affiliates to perform its obligations hereunder (in which case, the Purchaser nonetheless shall remain responsible for the performance of all of its obligations hereunder), (c) assign this Agreement to its lenders for collateral security purposes and (d) assign this Agreement to a subsequent purchaser of all or a substantial portion of the Purchaser, the Company or the Company's assets (in which case, the Purchaser nonetheless shall remain responsible for the performance of all of its obligations hereunder).

Section 10.4Amendment; Modification. This Agreement may be amended, modified or supplemented at any time only by written agreement of all Parties hereto, with signatures notarized.

Section 10.5Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the State of California (regardless of the Laws that might otherwise govern under applicable principles of conflicts of laws thereof) as to all matters, including matters of validity, construction, effect, performance and remedies.

Section 10.6Captions. The titles, captions and table of contents contained herein are inserted herein only as a matter of convenience and for reference and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision hereof.

Section 10.7Consent to Jurisdiction, Etc. Each Party hereby irrevocably consents and agrees that any Legal Dispute shall be brought only to the exclusive jurisdiction of the state or federal courts of or located in San Diego County, State of California, and each Party hereby consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by Law, any objection that it may now or hereafter have to the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding that is brought in any such court has been brought in an inconvenient forum. During the period a Legal Dispute is pending before a court, all actions, suits or proceedings with respect to such Legal Dispute or any other Legal Dispute, including any counterclaim, cross-claim or interpleader, shall be subject to the exclusive jurisdiction of such court. Each Party hereby waives, and shall not assert as a defense in any Legal Dispute, that (a) such Party is not subject thereto, (b) such action, suit or proceeding may not be brought or is not maintainable in such court, (c) such Party's property is exempt or immune from execution, (d) such action, suit or proceeding is brought in an inconvenient forum or (e) the venue of such action, suit or proceeding is improper. A final judgment in any action, suit or proceeding described in this Section 10.7 following the expiration of any period permitted for appeal and subject to any stay during appeal shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Laws.

Section 10.8Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other terms, conditions and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement be consummated as originally contemplated to the fullest extent possible, or failing the mutual agreement of the Parties, such provisions shall be modified to be enforced to the maximum extent allowed by applicable law.

Section 10.9Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or e-mail shall be as effective as delivery of a manually executed counterpart of this Agreement.

Section 10.10No Third-Party Beneficiary. Nothing expressed or implied in this Agreement is intended, or shall be construed, to confer upon or give any Person other than the Parties, their successors or permitted assigns, any rights, remedies, obligations, or liabilities under

or by reason of this Agreement, or result in such Person being deemed a third-party beneficiary of this Agreement.

Section 10.11 Waiver. Any agreement on the part of a Party to any extension or waiver of any provision hereof shall be valid only if set forth in an instrument in writing signed on behalf of such Party. A waiver by a Party of the performance of any covenant, agreement, obligation, condition, representation or warranty shall not be construed as a waiver of any other covenant, agreement, obligation, condition, representation or warranty. A waiver by any Party of the performance of any act shall not constitute a waiver of the performance of any other act or an identical act required to be performed at a later time.

Section 10.12 Integration. This Agreement and the Schedules attached hereto supersede all negotiations, agreements and understandings among the Parties with respect to the subject matter hereof (including that certain letter of intent dated October 3, 2023) and constitute the entire agreement among the Parties with respect hereto (and thereto).

Section 10.13 Cooperation Following the Closing. Following the Closing, each Party shall deliver to the other Parties such further information and documents and shall execute and deliver to the other Parties such further instruments and agreements as any other Party shall reasonably request to consummate or confirm the transactions provided for herein, to accomplish the purpose hereof or to assure to any other Party the benefits hereof.

Section 10.14 Transaction Costs. Except as expressly provided herein, (a) the Purchaser shall pay its own fees, costs and expenses incurred in connection herewith and the transactions contemplated hereby, including the fees, costs and expenses of its financial advisors, accountants and counsel, and (b) the fees, costs and expenses of the Company and the Member incurred in connection herewith and the transactions contemplated hereby, including the fees, costs and expenses of its financial advisors, accountants and counsel, shall be paid pursuant to Section 3.1(f) hereof if the Closing occurs and by the Company (or the Member) if the Closing does not occur.

Section 10.15 Spousal Consent. Barbara McWhorter hereby consents to the Member's sale of the Membership Interests encompassed by this Agreement to the Purchaser, on the terms and conditions stipulated herein. Pursuant to Family and Guardianship Code (*Kodeks Rodzinny i Opiekunczy*) of 25 February 1964, Barbara McWhorter undertakes (a) not to revoke this consent, (b) not to raise an objection against any of the Member's actions done under this Agreement, and (c) waives the right to object such actions.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed, as of the date first above written, with signatures authenticated by a notary public.

PURCHASER:

CV SCIENCES, INC.

By: /s/ Joerg Grasser
Name: Joerg Grasser
Title: Chief Financial Officer

COMPANY:

CULTURED FOODS

By: /s/ Barbara McWhorter
Name: Barbara McWhorter
Title: President of the Management Board

By: /s/ Joerg Grasser
Name: Joerg Grasser
Title: Proxy

MEMBER:

/s/ Barbara McWhorter
Brian Carl McWhorter - represented by Barbara McWhorter - Attorney in fact

/s/ Barbara McWhorter
Barbara McWhorter

CV SCIENCES, INC.
INSIDER TRADING POLICY

This Insider Trading Policy provides the standards of CV Sciences, Inc. (the “**Company**”) on trading and causing the trading of the Company’s securities or securities of other publicly-traded companies while in possession of confidential information. This policy is divided into two parts: the first part prohibits trading in certain circumstances and applies to all directors, officers and employees of the Company as well as independent contractors or consultants who have access to material non-public information of the Company and the second part imposes special additional trading restrictions and applies to all (i) directors of the Company, (ii) executive officers of the Company and (iii) the employees listed on Appendix A (collectively, “**Covered Persons**”).

One of the principal purposes of the federal securities laws is to prohibit so-called “insider trading.” Simply stated, insider trading occurs when a person uses material non-public information obtained through involvement with the Company to make decisions to purchase, sell, give away or otherwise trade the Company’s securities or to provide that information to others outside the Company. The prohibitions against insider trading apply to trades, tips and recommendations by virtually any person, including all persons associated with the Company, if the information involved is “material” and “non-public.” These terms are defined in this Policy under Part I, Section 3 below. The prohibitions would apply to any director, officer or employee who buys or sells Company stock on the basis of material non-public information that he or she obtained about the Company, its customers, suppliers, or other companies with which the Company has contractual relationships or may be negotiating transactions.

PART I

1.Applicability

This Policy applies to all transactions in the Company’s securities, including common stock, options and any other securities that the Company may issue, such as preferred stock, notes, bonds and convertible securities, as well as to derivative securities relating to any of the Company’s securities, whether or not issued by the Company.

This Policy applies to all employees of the Company and its subsidiaries, all officers of the Company and its subsidiaries and all members of the Company’s Board of Directors. This Policy also applies to all independent contractors or consultants who have access to material non-public information of the Company (each, a “**Material IC**”).

2.General Policy: No Trading or Causing Trading While in Possession of Material Non-public Information

(a)No director, officer or employee or Material IC may purchase or sell any Company security, whether or not issued by the Company, while in possession of material non-public information about the Company. (The terms “material” and “non-public” are defined in Part I, Section 3(a) and (b) below.)

(b)No director, officer or employee or Material IC who knows of any material non-public information about the Company may communicate that information to any other person, including family and friends.

(c)In addition, no director, officer or employee or Material IC may purchase or sell any security of any other company, whether or not issued by the Company, while in possession of material non-public information about that company that was obtained in the course of his or her involvement with the Company. No director, officer or employee or Material IC who knows of any such material non- public information may communicate that information to any other person, including family and friends.

(d) For compliance purposes, you should never trade, tip or recommend securities (or otherwise cause the purchase or sale of securities) while in possession of information that you have reason to believe is material and non-public unless you first consult with, and obtain the advance approval of, the Compliance Officer (which is defined in Part I, Section 3(c) below).

(e) Covered Persons must “pre-clear” all trading in securities of the Company in accordance with the procedures set forth in Part II, Section 3 below.

3. Definitions

(a) Materiality. Insider trading restrictions come into play only if the information you possess is “material.” Materiality, however, involves a relatively low threshold. Information is generally regarded as “material” if it has market significance, that is, if its public dissemination is likely to affect the market price of securities, or if it otherwise is information that a reasonable investor would want to know before making an investment decision.

Information dealing with the following subjects is reasonably likely to be found material in particular situations:

- (i) significant changes in the Company's prospects;
- (ii) significant write-downs in assets or increases in reserves;
- (iii) developments regarding significant litigation or government agency investigations;
- (iv) liquidity problems;
- (v) changes in earnings estimates or unusual gains or losses in major operations;
- (vi) major changes in management;
- (vii) changes in dividends;
- (viii) extraordinary borrowings;
- (ix) award or loss of a significant contract;
- (x) changes in debt ratings;
- (xi) proposals, plans or agreements, even if preliminary in nature, involving mergers, acquisitions, divestitures, recapitalizations, strategic alliances, licensing arrangements, or purchases or sales of substantial assets;
- (xii) public offerings; and
- (xiii) pending statistical reports (such as, consumer price index, money supply and retail figures, or interest rate developments).

Material information is not limited to historical facts but may also include projections and forecasts. With respect to a future event, such as a merger, acquisition or introduction of a new product, the point at which negotiations or product development are determined to be material is determined by balancing the probability that the event will occur against the magnitude of the effect the event would have on a company's operations or stock price should it occur. Thus, information concerning an event that would have a large effect on stock price, such as a merger, may be material even if the possibility that the event will occur is relatively small. When in doubt about whether particular non-public information is material, presume it is material. **If you are unsure whether information is material, you should consult the Compliance Officer before making any decision to disclose such information (other than to persons who need to know it) or to trade in or recommend securities to which that information relates.**

(b) Non-public Information. Insider trading prohibitions come into play only when you possess information that is material and “non-public.” The fact that information has been disclosed to a few members of the public does not make it public for insider trading purposes. To be “public” the information must have been disseminated in a manner designed to reach investors generally, and the investors must be

given the opportunity to absorb the information. Even after public disclosure of information about the Company, you must wait until the close of business on the second trading day after the information was publicly disclosed before you can treat the information as public.

Non-public information may include:

- (i) information available to a select group of analysts or brokers or institutional investors;
- (ii) undisclosed facts that are the subject of rumors, even if the rumors are widely circulated; and
- (iii) information that has been entrusted to the Company on a confidential basis until a public announcement of the information has been made and enough time has elapsed for the market to respond to a public announcement of the information (normally two or three days).

As with questions of materiality, if you are not sure whether information is considered public, you should either consult with the Compliance Officer or assume that the information is “non-public” and treat it as confidential.

(c) Compliance Officer. The Company has appointed the Chief Financial Officer as the Compliance Officer for this Policy. The duties of the Compliance Officer include, but are not limited to, the following:

- (i) assisting with implementation of this Policy;
- (ii) circulating this Policy to all employees and ensuring that this Policy is amended as necessary to remain up-to-date with insider trading laws;
- (iii) pre-clearing all trading in securities of the Company by Covered Persons in accordance with the procedures set forth in Part II, Section 3 below; and
- (iv) providing approval of any transactions under Part II, Section 4 below.

4. Violations of Insider Trading Laws

Penalties for trading on or communicating material non-public information can be severe, both for individuals involved in such unlawful conduct and their employers and supervisors, and may include jail terms, criminal fines, civil penalties and civil enforcement injunctions. Given the severity of the potential penalties, compliance with this Policy is absolutely mandatory.

(a) Legal Penalties. A person who violates insider trading laws by engaging in transactions in a company’s securities when he or she has material non-public information can be sentenced to a substantial jail term and required to pay a penalty of several times the amount of profits gained or losses avoided.

In addition, a person who tips others may also be liable for transactions by the tippers to whom he or she has disclosed material non-public information. Tippers can be subject to the same penalties and sanctions as the tpees, and the SEC has imposed large penalties even when the tipper did not profit from the transaction.

The SEC can also seek substantial penalties from any person who, at the time of an insider trading violation, “directly or indirectly controlled the person who committed such violation,” which would apply to the Company and/or management and supervisory personnel. These control persons may be held liable for up to the greater of \$1 million or three times the amount of the profits gained or losses avoided. Even for violations that result in a small or no profit, the SEC can seek a minimum of \$1 million from a company and/or management and supervisory personnel as control persons.

(b) Company-imposed Penalties. Employees who violate this Policy may be subject to

disciplinary action by the Company, including dismissal for cause. Any exceptions to the Policy, if permitted, may only be granted by the Compliance Officer and must be provided before any activity contrary to the above requirements takes place.

PART II

1.Blackout Periods

All Covered Persons are prohibited from trading in the Company's securities during blackout periods.

(a)Quarterly Blackout Periods. Trading in the Company's securities is prohibited ten (10) calendar days prior to the end of the fiscal quarter, which the Compliance Officer will announce via email, and ending at the close of business on the day following the date the Company's financial results are publicly disclosed and Form 10-Q or Form 10-K is filed. During these periods, Covered Persons generally possess or are presumed to possess material non-public information about the Company's financial results.

(b)Other Blackout Periods. From time to time, other types of material non-public information regarding the Company (such as negotiation of mergers, acquisitions or dispositions or new product developments) may be pending and not be publicly disclosed. While such material non-public information is pending, the Company may impose special blackout periods during which Covered Persons are prohibited from trading in the Company's securities. If the Company imposes a special blackout period, it will notify the Covered Persons affected.

2.Trading Window

Covered Persons are permitted to trade in the Company's securities when no blackout period is in effect. Generally this means that Covered Persons can trade during the period beginning on the day that the blackout period under Section 1(a) ends and ending on the day that the next blackout period under Section 1(a) begins. However, even during this trading window, a Covered Person who is in possession of any material non-public information should not trade in the Company's securities until the information has been made publicly available or is no longer material. In addition, the Company may close this trading window if a special blackout period under Part II, Section 1(b) above is imposed and will re-open the trading window once the special blackout period has ended.

3.Pre-clearance of Securities Transactions

(a)Because Covered Persons are likely to obtain material non-public information on a regular basis, the Company requires all such persons to refrain from trading, even during a trading window under Part II, Section 2 above, without first pre-clearing all transactions in the Company's securities.

(b)Subject to the exemption in subsection (d) below, no Covered Person may, directly or indirectly, purchase or sell any Company security at any time without first obtaining prior approval from the Compliance Officer. These procedures also apply to transactions by such person's spouse, other persons living in such person's household and minor children and to transactions by entities over which such person exercises control.

(c)The Compliance Officer shall record the date each request is received and the date and time each request is approved or disapproved. Unless revoked, a grant of permission will normally remain valid until the close of trading three business days following the day on which it was granted. If the transaction does not occur during the three business-day period, pre-clearance of the transaction must be re-requested.

(d)Pre-clearance is not required for purchases and sales of securities under an Approved 10b5-1 Plan. With respect to any purchase or sale under an Approved 10b5-1 Plan, the third party effecting

transactions on behalf of the Covered Person should be instructed to send duplicate confirmations of all such transactions to the Compliance Officer.

4. Prohibited Transactions

(a) Directors and executive officers of the Company are prohibited from, trading in the Company's equity securities during a blackout period imposed under an "individual account" retirement or pension plan of the Company, during which at least 50% of the plan participants are unable to purchase, sell or otherwise acquire or transfer an interest in equity securities of the Company, due to a temporary suspension of trading by the Company or the plan fiduciary.

(b) A Covered Person, including such person's spouse, other persons living in such person's household and minor children and entities over which such person exercises control, is prohibited from engaging in the following transactions in the Company's securities unless advance approval is obtained from the Compliance Officer:

(i) Short-term trading. Covered Persons who purchase Company securities may not sell any Company securities of the same class for at least six months after the purchase;

(ii) Short sales. Covered Persons may not sell the Company's securities short;

(iii) Options trading. Covered Persons may not buy or sell puts or calls or other derivative securities on the Company's securities;

(iv) Trading on margin. Covered Persons may not hold Company securities in a margin account or pledge Company securities as collateral for a loan; and

(v) Hedging. Covered Persons may not enter into hedging or monetization transactions or similar arrangements with respect to Company securities.

5. Limited Exceptions. The following are certain limited exceptions to the restrictions imposed by the Company under this Policy. Please be aware that even if a transaction is subject to an exception to this Policy, you will need to separately assess whether the transaction complies with applicable law. For example, even if a transaction is indicated as exempt from this Policy, you may need to comply with the "short-swing" trading restrictions under Section 16 of the Exchange Act, to the extent applicable. You are responsible for complying with applicable law at all times.

(a) Qualified 10b5-1 Plans. The trading restrictions under this Policy do not apply to transactions under a pre-existing written plan, contract, instruction, or arrangement under Rule 10b5-1 (an "**Approved 10b5-1 Plan**") that:

(i) has been reviewed and approved at least one month in advance of any trades thereunder by the Compliance Officer (or, if revised or amended, such revisions or amendments have been reviewed and approved by the Compliance Officer at least one month in advance of any subsequent trades);

(ii) was entered into in good faith by the Covered Person at a time when the Covered Person was not in possession of material non-public information about the Company; and

(iii) gives a third party the discretionary authority to execute such purchases and sales, outside the control of the Covered Person, so long as such third party does not possess any material non-public information about the Company; or explicitly specifies the security or securities to be purchased or sold, the number of shares, the prices and/or dates of transactions, or other formula(s) describing such transactions.

(b) Receipt and vesting of stock options, restricted stock, restricted stock units and stock

appreciation rights. The trading restrictions under this Policy do not apply to the acceptance or purchase of stock options, restricted stock, restricted stock units or stock appreciation rights issued or offered by the Company. The trading restrictions under this Policy also do not apply to the vesting, cancellation or forfeiture of stock options, restricted stock, restricted stock units or stock appreciation rights in accordance with applicable plans and agreements.

(c)Exercise of stock options; settlement of restricted stock units. The trading restrictions under this Policy do not apply to the exercise of stock options for cash or the settlement of restricted stock units under the Company's equity incentive plans. Likewise, the trading restrictions under this Policy do not apply to the exercise of stock options in a stock-for-stock exercise with the Company or an election to have the Company withhold securities to cover tax obligations in connection with an option exercise or settlement of restricted stock units. However, the trading restrictions under this Policy do apply to (i) the sale of any securities issued upon the exercise of a stock option or settlement of a restricted stock unit, (ii) a cashless exercise of a stock option through a broker, since this involves selling a portion of the underlying shares to cover the costs of exercise, and (iii) any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

(d)Certain 401(k) plan transactions. The trading restrictions in this Policy do not apply to purchases of Company stock in any Company 401(k) plan, as applicable, resulting from periodic contributions to such plan based on your payroll contribution election. The trading restrictions do apply, however, to elections you make under any Company 401(k) plan to (i) increase or decrease the percentage of your contributions that will be allocated to a Company stock fund, (ii) move balances into or out of a Company stock fund, (iii) borrow money against any 401(k) plan account if the loan will result in liquidation of some or all of your Company stock fund balance, and (iv) pre-pay a plan loan if the pre-payment will result in the allocation of loan proceeds to a Company stock fund.

(e)Stock splits, stock dividends and similar transactions. The trading restrictions under this Policy do not apply to a change in the number of securities held as a result of a stock split or stock dividend applying equally to all securities of a class, or similar transactions.

(f)Bona fide gifts and inheritance. The trading restrictions under this Policy do not apply to *bona fide* gifts involving Company securities or transfers by will or the laws of descent and distribution.

(g)Change in form of ownership. Transactions that involve merely a change in the form in which you own securities are permissible. For example, you may transfer shares to an *inter vivos* trust of which you are the sole beneficiary during your lifetime.

(h)Other exceptions. Any other exception from this Policy must be approved by the Compliance Officer, in consultation with the Board of Directors or an independent committee of the Board of Directors, and legal counsel.

6. Acknowledgment and Certification

All Covered Persons are required to sign the attached acknowledgment and certification.

ACKNOWLEDGMENT AND CERTIFICATION

The undersigned does hereby acknowledge receipt of the Company's Insider Trading Policy. The undersigned has read and understands (or has had explained) such Policy and agrees to be governed by such Policy at all times in connection with the purchase and sale of securities and the confidentiality of non-public information.

(Signature)

(Please print name)

Date:

APPENDIX A

Covered Persons

List of Subsidiaries

Domestic Entities

Star Sky Foods, LLC

Jurisdiction of Formation

Delaware

Foreign Entity

Cultured Foods Sp. z.o.o.

Jurisdiction of Formation

Poland

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-199173) of CV Sciences, Inc. (the “Company”) of our report dated March 29, 2024, relating to our audits of the Company’s consolidated financial statements as of December 31, 2023 and 2022, and for each of the years then ended, included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023, which report includes an explanatory paragraph expressing substantial doubt regarding the Company’s ability to continue as a going concern.

/s/ HASKELL & WHITE LLP

HASKELL & WHITE LLP

Irvine, California
March 29, 2024

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT
TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15(d)-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph D. Dowling, Chief Executive Officer of CV Sciences, Inc. (the "Company") certify that:

1. I have reviewed this Annual Report on Form 10-K of the Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 29, 2024

By: /s/ Joseph D. Dowling
Joseph D. Dowling
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT
TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15(d)-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joerg Grasser, Chief Financial Officer of CV Sciences, Inc. (the "Company") certify that:

1. I have reviewed this Annual Report on Form 10-K of the Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 29, 2024

By: /s/ Joerg Grasser
Joerg Grasser
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of CV Sciences, Inc. (the "Registrant") on Form 10-K for the year ended December 31, 2023 (the "Report"), I, Joseph D. Dowling, Chief Executive Officer of the Registrant, do hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) the Report, as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: March 29, 2024

By: /s/ Joseph D. Dowling
Joseph D. Dowling
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of CV Sciences, Inc. (the "Registrant") on Form 10-K for the year ended December 31, 2023 (the "Report"), I, Joerg Grasser, Chief Financial Officer of the Registrant, do hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) the Report, as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: March 29, 2024

By: /s/ Joerg Grasser

Joerg Grasser

Chief Financial Officer

(Principal Financial Officer)
